

CONFIDENTIALSTATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING


FORM 3

AMENDED REPORT ☐
(highlight changes)

APPLICATION FOR PERMIT TO DRILL				5. MINERAL LEASE NO: ML 47966	6. SURFACE: State
1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>				7. IF INDIAN, ALLOTTEE OR TRIBE NAME:	
B. TYPE OF WELL: OIL <input type="checkbox"/> GAS <input checked="" type="checkbox"/> OTHER _____ SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>				8. UNIT or CA AGREEMENT NAME:	
2. NAME OF OPERATOR: CrownQuest Operating, LLC				9. WELL NAME and NUMBER: Explorer State 1-16	
3. ADDRESS OF OPERATOR: P.O. Box 2221 CITY Farmington STATE NM ZIP 87499				PHONE NUMBER: (505) 325-5750	10. FIELD AND POOL, OR WILDCAT: Wildcat
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 1300' FNL x 1500' FEL 6604224 37.8255 15 41878294 -109.177251 AT PROPOSED PRODUCING ZONE: same				11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 16 34S 25E	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 10 miles east of Monticello				12. COUNTY: San Juan	13. STATE: UTAH
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET) 1300'		16. NUMBER OF ACRES IN LEASE: 2051.96		17. NUMBER OF ACRES ASSIGNED TO THIS WELL: 160	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET) 1800'		19. PROPOSED DEPTH: 5,875		20. BOND DESCRIPTION: RLB 0007554	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 6809' GL		22. APPROXIMATE DATE WORK WILL START: 12/15/2007		23. ESTIMATED DURATION: 60 days	

24 PROPOSED CASING AND CEMENTING PROGRAM						
SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT			SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT	
16"	13 3/8"	H40	48	150	class 'G', 250 sks	1.15 cf/sk 15.8 ppg
12 1/4"	9 5/8"	J55	36	2,100	65/35 Poz, 500 sks	1.75 cf/sk 12.8 ppg
					class 'G', 100 sks	1.15 cf/sk 15.8 ppg
7 7/8"	5 1/2"	P110	17	5,875	25/75 Poz, 550 sks	1.74 cf/sk 11.8 ppg
					LiteCrete, 300 sks	1.61 cf/sk 12.5 ppg

25. ATTACHMENTS	
VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:	
<input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER	<input checked="" type="checkbox"/> COMPLETE DRILLING PLAN
<input type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER	<input type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER

NAME (PLEASE PRINT) Robert R. Griffiee	TITLE Operations Manager
SIGNATURE 	DATE 8/21/2007

(This space for State use only)

API NUMBER ASSIGNED: 43-037-31870

APPROVAL:

RECEIVED

AUG 31 2007






DIV. OF OIL, GAS & MINING

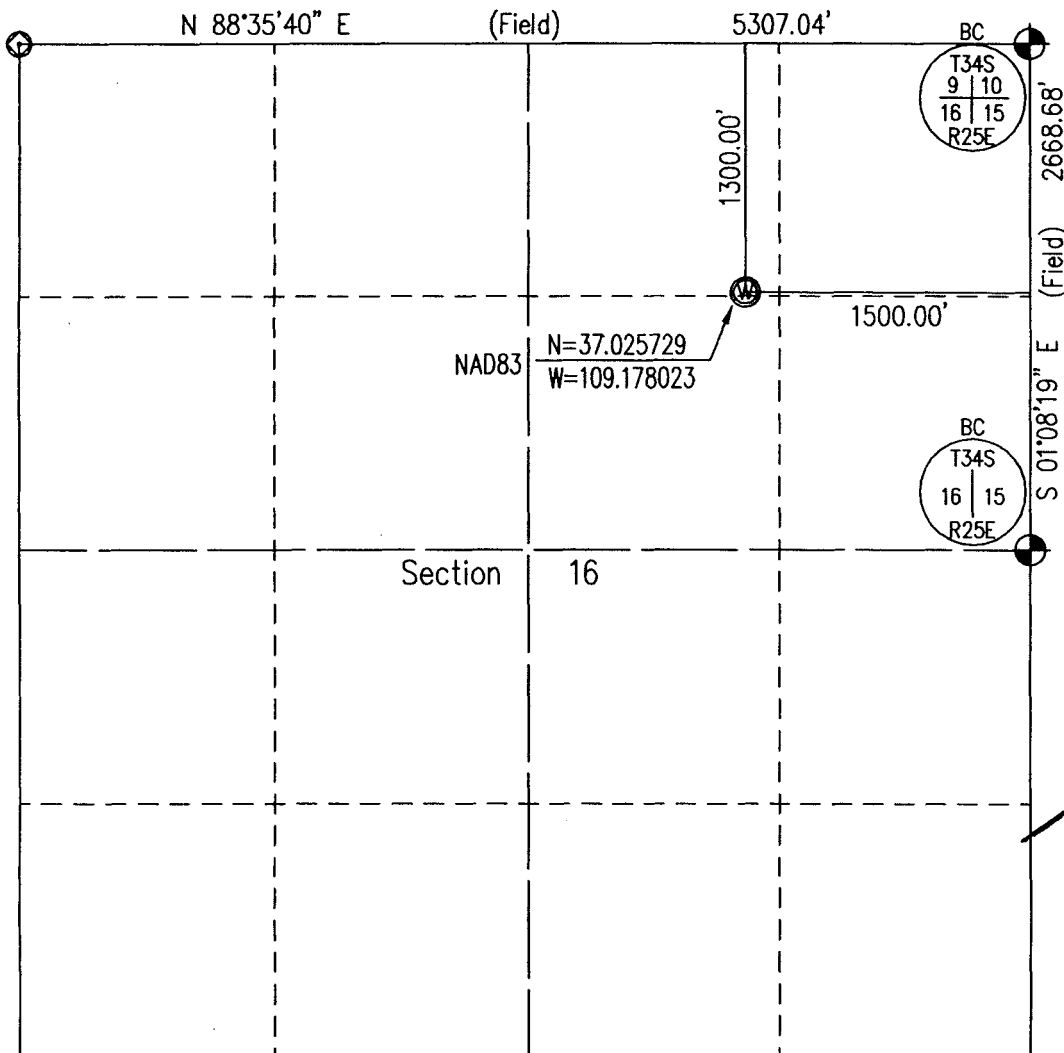
UTAH WELL LOCATION PLAT

OPERATOR Crown Quest Operating
 LEASE Explorer State WELL NO. 1-16
 SECTION 16 TOWNSHIP 34 South RANGE 25 East Salt Lake, P.M.
 COUNTY San Juan UTAH
 FOOTAGE LOCATION OF WELL: 1300.00' FEET FROM THE North LINE and
1500.00' FEET FROM THE East LINE and
 GROUND LEVEL ELEVATION: 6808.86'
 SURFACE USE WITHIN 200' RADIUS: No Improvements Within 200'
 BASIS OF BEARING: GPS Data
 BASIS OF ELEVATION: GPS Data - NAD 83 - PODP #4

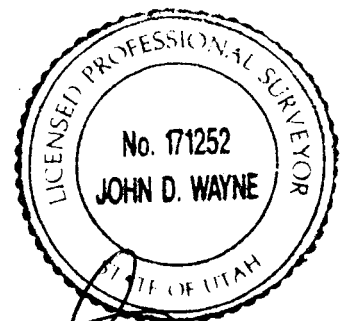
500' 500'
 1" = 1000'

Some information on this plat is based on information taken from previous surveys, record information, or collateral evidence and may not reflect that which may be disclosed by a complete boundary survey. This plat is not to be relied on for the establishment of surface boundaries, fences, buildings, or other future improvements.

-  GLO BC
-  WELL Location
-  STONE Marked
-  ALUMINUM CAP
-  CALCULATED CORNER



I hereby certify that the proposed well location shown on this plat was prepared from field notes of an actual survey by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief, and that there are no visible improvements within 200 feet of this proposed wellhead, unless noted otherwise.



John D. Wayne
 Professional L.S. #171252
 State of Utah

APRIL 20, 2007

Date Surveyed:

MAY 15, 2007

Date Platted:

AUGUST 21, 2007

Revision Date:

SCALE: 1" = 1000'

CONFIDENTIALSTATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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(highlight changes)

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			LiteCrete, 300 sks 1.61 cf/sk 12.5 ppg

25.

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VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:

- | | |
|--|--|
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NAME (PLEASE PRINT) Robert R. GriffieTITLE Operations ManagerSIGNATURE Robert R. GriffieDATE 8/21/2007

(This space for State use only)

API NUMBER ASSIGNED: 43-037-31870

APPROVAL:

Approved by the
Utah Division of
Oil, Gas and MiningDate: 01-23-08

(See Instructions on Reverse Side)

By: [Signature]

RECEIVED

AUG 31 2007

DIV. OF OIL, GAS & MINING





UTAH WELL LOCATION PLAT

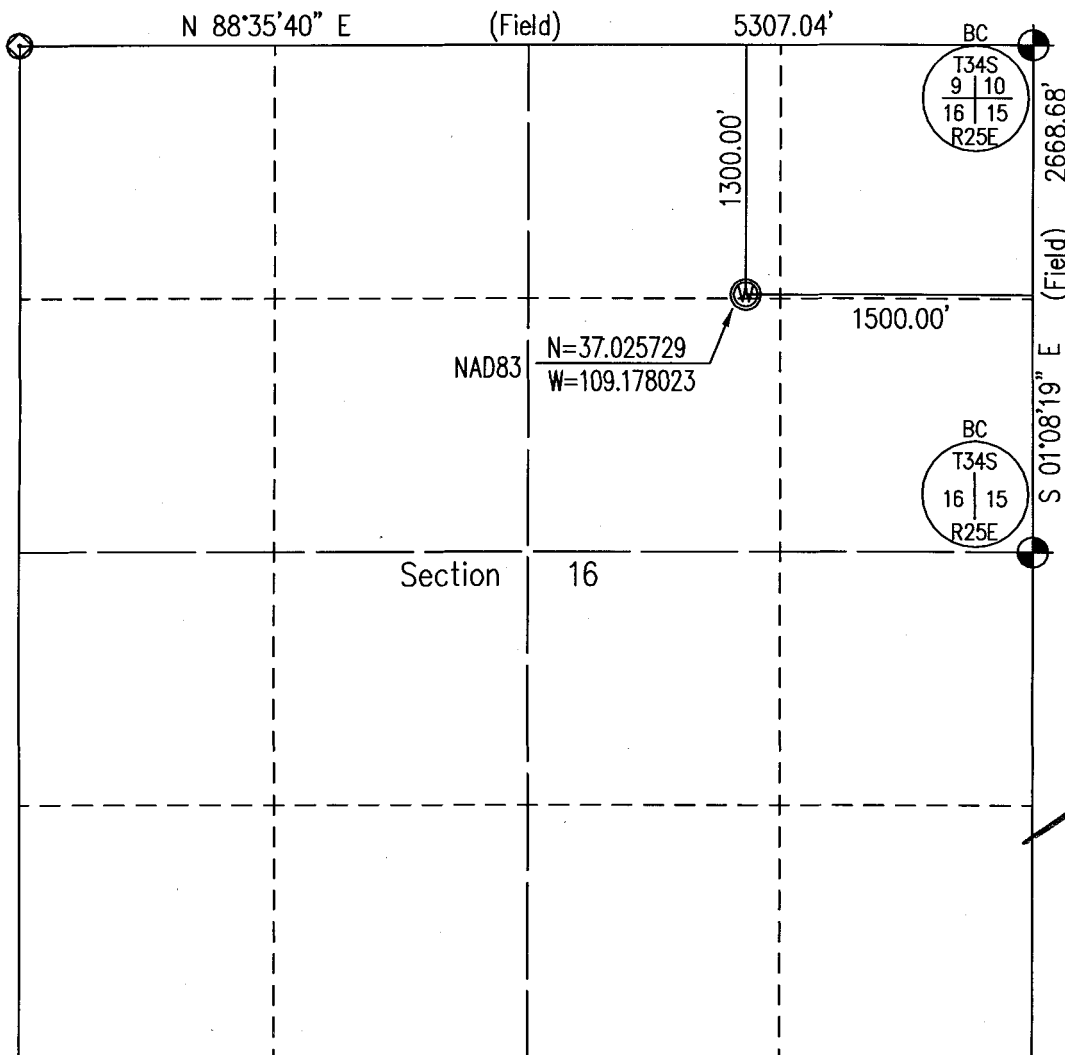
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 LEASE Explorer State WELL NO. 1-16
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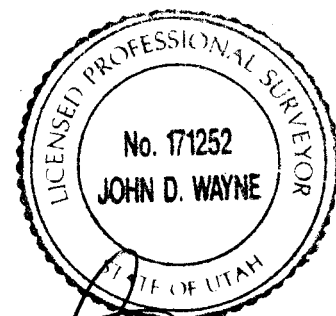
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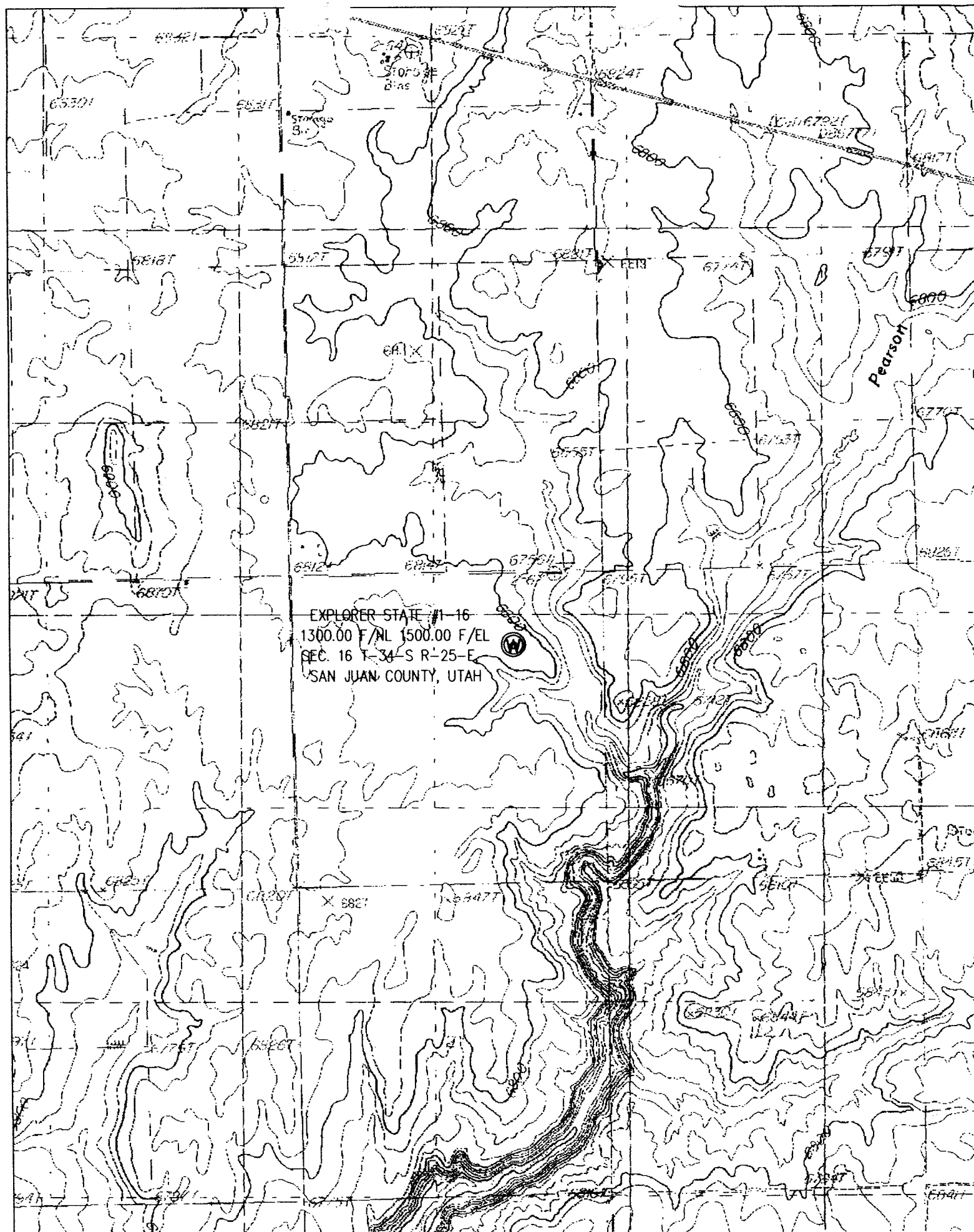
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John D. Wayne
 Professional L.S. #171252
 State of Utah

APRIL 20, 2007
 Date Surveyed:
 MAY 15, 2007
 Date Platted:
 AUGUST 21, 2007
 Revision Date:

SCALE: 1" = 1000'



From: Robert Clark
To: Mason, Diana
Date: 9/17/2007 10:24 AM
Subject: RDCC short turn-around comments

CC: Anderson, Tad; Mcneill, Dave; Wright, Carolyn
The following comments are submitted on short turn-around items **RDCC #8425 through RDCC #8432.**

RDCC #8425, Comments begin: The Petro-Canada Resources (USA), Inc. proposal to drill the State 32-11 wildcat well, in Emery County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board. If any compressor or pump stations are constructed at the site, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. A copy of the rules is found at www.rules.utah.gov/publicat/code/r307/r307.htm.

The proposed project is also subject to Utah Air Quality Rule R307-205-5, Fugitive Dust, due to the fugitive dust that is generated during the excavating phases of the project. These rules apply to construction activities that disturb an area greater than 1/4 acre in size. A permit, known as an Approval Order, is not required from the Executive Secretary of the Air Quality Board, but steps need to be taken to minimize fugitive dust, such as watering and/or chemical stabilization, providing vegetative or synthetic cover or windbreaks. A copy of the rules may be found at www.rules.utah.gov/publicat/code/r307/r307.htm. **Comments end.**

RDCC #8426, Comments begin: The CrownQuest Operating, LLC proposal to drill the Raider 1-17 wildcat well, in San Juan County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board. If any compressor or pump stations are constructed at the site, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. A copy of the rules is found at www.rules.utah.gov/publicat/code/r307/r307.htm.

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RDCC #8427, Comments begin: The CrownQuest Operating, LLC proposal to drill the Dragon State 1-13 wildcat well, in San Juan County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board. If any compressor or pump stations are constructed at the site, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. A copy of the rules is found at www.rules.utah.gov/publicat/code/r307/r307.htm.

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RDCC #8428, Comments begin: The CrownQuest Operating, LLC proposal to drill the Banana Slug Federal 1-8 wildcat well, in San Juan County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board. If any compressor or pump stations are constructed at the site, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. A copy of the rules is found at www.rules.utah.gov/publicat/code/r307/r307.htm.

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vegetative or synthetic cover or windbreaks. A copy of the rules may be found at www.rules.utah.gov/publicat/code/r307/r307.htm. **Comments end.**

RDCC #8429, Comments begin: The CrownQuest Operating, LLC proposal to drill the Anteater State 1-21 wildcat well, in San Juan County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board. If any compressor or pump stations are constructed at the site, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. A copy of the rules is found at www.rules.utah.gov/publicat/code/r307/r307.htm.

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RDCC #8430, Comments begin: The CrownQuest Operating, LLC proposal to drill the Chanticleer State 1-32 wildcat well, in San Juan County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board. If any compressor or pump stations are constructed at the site, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. A copy of the rules is found at www.rules.utah.gov/publicat/code/r307/r307.htm.

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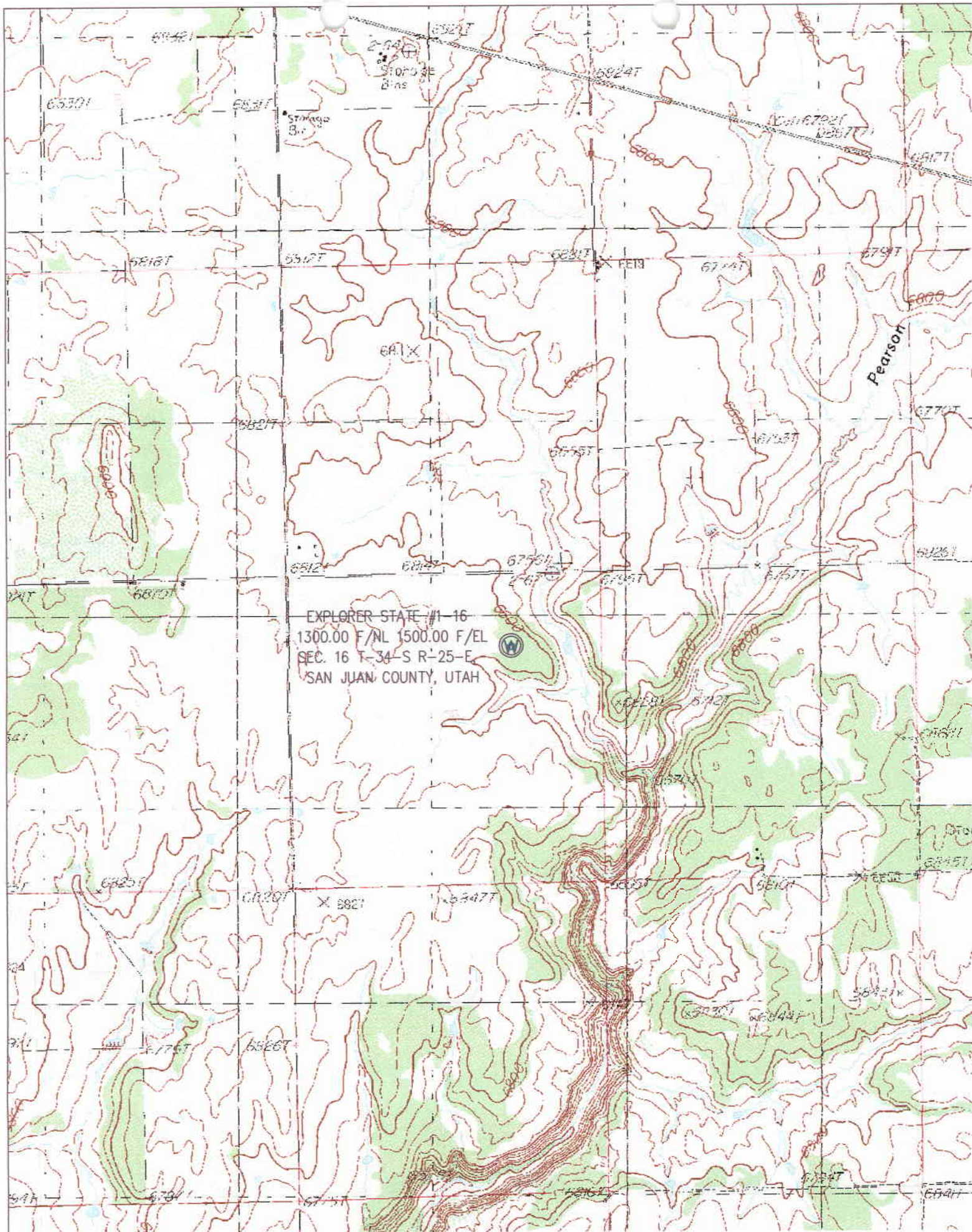
RDCC #8431, Comments begin: The CrownQuest Operating, LLC proposal to drill the Explorer State 1-16 wildcat well, in San Juan County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board. If any compressor or pump stations are constructed at the site, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. A copy of the rules is found at www.rules.utah.gov/publicat/code/r307/r307.htm.

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RDCC #8432, Comments begin: The Delta Petroleum Corporation proposal to drill the Greentown State #31-362216 wildcat well, in Grand County, may require a permit, known as an Approval Order, from the Executive Secretary of the Air Quality Board. If any compressor or pump stations are constructed at the site, a permit application, known as a Notice of Intent (NOI), should be submitted to the Executive Secretary at the Utah Division of Air Quality at 150 N. 1950 West, Salt Lake City, Utah, 84116 for review according to the Utah Air Quality Rule R307-401. Permit: Notice of Intent and Approval Order. A copy of the rules is found at www.rules.utah.gov/publicat/code/r307/r307.htm.

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Robert Clark
Division of Air Quality
801-536-4435

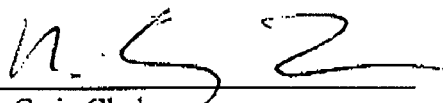


AFFIDAVIT

STATE OF UTAH §
 §
COUNTY OF SAN JUAN §

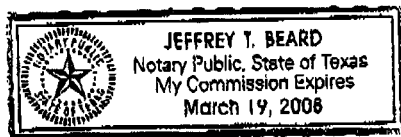
My name is M. Craig Clark and I am Land Manager for CrownQuest Operating, LLC. ("CrownQuest"). CrownQuest has filed an APD for its Explorer State #1-16 well located in Section 16, Township 34 South, Range 25 East, San Juan County, Utah.

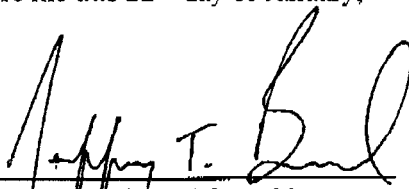
CrownQuest has attempted to enter into a surface use agreement with Lemuel Hardison Redd, et al who was the original owner of the subject lands and Greg McKennis, the current owner. Despite good faith negotiations CrownQuest has not been able to reach a mutually agreeable surface use agreement with the surface owner.


M. Craig Clark

STATE OF TEXAS
COUNTY OF MIDLAND

Subscribed and sworn to and acknowledged before me this 22nd day of January, 2008 by M. Craig Clark.




Notary Public in and for said county
and state.

RECEIVED

JAN 22 2008

DIV. OF OIL, GAS & MINING

CONFIDENTIAL

Drilling Plan

Well Name: Explorer State 1-16

Surface Location: 1300' FNL x 1500' FEL, Section 16, T34S, R25E
San Juan County, Utah

Target Formation: Pennsylvanian

Elevation: 6809' GL

Geology:

Formation	Top	Probable Content
Morrison	Surface	
Entrada Ss	945'	potential fresh water
Navajo Ss	1130'	potential fresh water
Chinle Fm	1895'	vari-color shale
Shinarump Ss	2390'	gas/water
Moenkopi Fm	2535'	brn-red sltst/sh
Cutler (top of Permian)	2835'	prpl crs ss/sh; potential fresh water
Honaker Trail (top of Penn)	4330'	ls; potential gas, brine
Upper Ismay	5500'	gas/oil/brine
Desert Creek	5745'	gas/oil/brine
TD	5875'	

*Based on Moderately
Saline Groundwater*

3000'

Logging Program: Triple Combo including Induction, Neutron/Density, and Sonic logs from TD to surface casing shoe.

Clean-out Fluid Program:

Interval	Fluid Type	Weight	Viscosity	Fluid Loss
0' – 2100'	fresh water/gel	8.4 ppg	n/a	no control
2100' – 5875'	fresh water/gel/polymer	9.2 ppg	30 – 80 sec	10

Casing Program:

Interval	Hole Diameter	Csg Size	Wt.	Grade	Thread
Conductor					
0' – 150'	16"	13 3/8"	48 ppf	H40	STC
Surface					
0' – 2100'	12 1/4"	9 5/8"	36 ppf	J-55	LTC
Production					
0' – 5875'	7 7/8"	5 1/2"	17 ppf	P110	LTC

Tubing Program: 0 – 5700', 2 3/8", 4.7 ppf, J55, EUE

CONFIDENTIAL

BOPE and Wellhead Specifications and Testing:

For drilling operations from conductor casing shoe to 2100': 13 5/8", 2000 psi, threaded casing head with two 2" outlets. 13 5/8", 2000 psi double gate BOP and 2000 psi choke manifold (see figures 1 and 2). Pressure test conductor casing to 600 psi prior to drilling out of conductor casing shoe. Pressure test BOPE to 2000 psi.

For drilling operations from surface casing shoe to TD (5875'): Cut off 13 5/8" casing and casing head. Install 9 5/8", 3000 psi, SOW casing head. 11", 3000 psi double ram BOP and 3000 psi annular preventor. 3000 psi choke manifold (see figures 3 and 4). Pressure test BOPE to 3000 psi and 9 5/8" surface casing to 3000 psi prior to drilling out of surface casing shoe.

For completion operations: 5 1/2" x 2 3/8", 5000 psi tree assembly. 7 1/16", 5000 psi double gate BOP system. 5000 psi choke manifold (see figures 3 and 4). Pressure test 5 1/2" casing to 5000 psi prior to frac'ing. The 5000 psi pressure rating is for possible frac treatment pressures and is far in excess of 3000 psi BOP equipment required to control anticipated formation pressure.

General Operation:

- Actuate pipe rams once each day during clean-out operations. Actuate blind rams once each trip.
- An upper Kelly cock valve, with handle, will be available on the rig floor to fit each drilling string.
- BOP pit level drill will be conducted weekly for each drilling crew.
- All BOP tests and drills will be recorded in the daily drilling report.
- Blind and pipe rams will be equipped with extension hand wheels.

Cementing Program:

13 3/8" Conductor Casing String: Run casing with saw-tooth guide shoe on bottom, insert float valve one joint from bottom, and install 1 bow-spring centralizer in the middle of the 1st joint and one at 88'. Cement to surface with 250 sks class 'G' with 1/4 #/sk celloflake and 2% CaCl₂ (1.15 cf/sk, 15.8 ppg). Perform top job as necessary. This string may be set with a rat-hole machine prior to moving on the drilling rig.

9 5/8" Surface Casing String: Run casing with swirl pattern guide shoe on bottom and non-differential fill float collar one joint from bottom. Centralize with one centralizer in the middle of the first joint, one centralizer every other collar for the next three collars, and one centralizer inside the conductor casing shoe. Cement to surface with 500 sks 65/35 poz + 6% gel + 6 #/sk gilsonite + .25 #/sk celloflake (12.8 ppg, 1.75 cf/sk), followed by 100 sks class 'G' + 2% CaCl₂ (15.8 ppg, 1.15 cf/sk).

5 1/2" Production Casing String: Run casing with float shoe on bottom, float collar one joint from bottom. Install one centralizer in the middle of the first joint, one on every other collar from TD to the top of the Honaker Trail formation, and one inside the surface casing shoe. Cement with

550 sks 25/75 Poz TXI blend (11.8 ppg, 1.74 cf/sk) followed with 300 sks LiteCrete + gas block (12.5 ppg, 1.61 cf/sk) Top of cement calculated to be at 1500'.

Special Drilling Operations:

None anticipated

Additional Information:

- This well is designed to be completed in the Pennsylvanian formations.
- Bottom-hole pressure is calculated to be 2475 psi at 5500', 0.45 psi/ft. Adequate weighting material will be kept on location to maintain mud weight.
- LCM will be added to the mud system as required to maintain circulation.
- Estimated formation pressures:
 - Ismay 2475 psi
 - Desert Creek 2585 psi

Completion Information:

The completion procedure will be prepared after cased-hole logs are analyzed. The well will be completed by frac and acid treatments.

Prepared by: Robert R. Griffie
Operations Manager
Date: 8/21/07

Explorer State # 1-16
Thirteen Point Surface Use Plan

1) Existing Roads

- a) The proposed route to the location is shown on the attached Topographical Map.
- b) The well pad is located approximately 4 miles Northwest of Eastland Township, Utah.
- c) If necessary, an encroachment permit will be obtained from San Juan County, Utah for use of the existing county roads (CR #312, & CR #338). Approximately 1 mile of CR #312 and 3 miles of CR #338, will be used to access the well site.

2) Access Road

- a) Approximately 1300' of flat bladed road off CR #338 provides access to the well site.
- b) No cattle guards will be required.
- c) There are no existing roads outside the lease or unit boundary for which a right-of-way is required .

b) Location of existing wells

See attached Topographical Map for the location of existing wells in the area of this proposed well site.

c) Location of Production Facilities

- a. In the event the well is brought to production, necessary production equipment will be determined and a diagram will be submitted showing the layout of such equipment on the location site.
- b. Off-site facilities: No off-site facilities are required.
- c. Pipelines: Pipeline design, construction, and permitting will be performed if needed after it is determined that the well is productive.

All permanent (in place for six months or longer) structures constructed or installed (including oil well pump jacks) will be painted a flat, nonreflective color to match the standard environmental colors, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded. Colors will be as follows: Juniper Green.

All site security guidelines identified in 43 CFR 3162.7-5 and Onshore Oil and Gas Order No. 3 shall be followed.

If a gas meter run is constructed it will be located on the lease within 500 feet of the well head. The gas flow line will be buried from the wellhead to the meter and will be buried downstream of the meter until it leaves the pad. Meter runs will be housed and /or fenced. The gas meter shall be calibrated prior to first sales and shall be calibrated quarterly thereafter. All gas production and measurement shall comply with the provisions of 43 CFR 3162.7-3, Onshore Oil and Gas Order No. 5, and American Gas Association (AGA) Report No. 3.

If a tank battery is constructed on this lease, it will be surrounded by a berm of sufficient capacity to contain 1 ½ times the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All oil production and measurement shall conform to the provisions of 43 CFR 3162.7-3, Onshore Oil and Gas Order No. 4.

Production facilities on location may include a lined or unlined production water pit as specified. If water is produced from the well an OOGO #7 application must be submitted.

d) Location and Type of Water Supply

All water needed for drilling and completion purposes will be obtained from the City of Monticello, Utah (SW 1/4, Section 30, T33S, R24E.).

e) Source of Construction Material

It is not anticipated that additional construction materials will be required for construction of the well pad, pit, and access road for drilling operations. Gravel and rock for upgrading the access roads to Class III Standards will be obtained from a private source, if needed. If additional materials are required, they will be obtained from a private source. The use of materials under BLM jurisdiction will conform to 43 CFR 3610.2-3.

f) Methods of Handling Waste Water Disposal

All garbage and trash materials will be contained in a trash cage and removed from the site for proper disposal as necessary, but no later than at the conclusion of drilling operations. Portable toilets will be provided and serviced appropriately.

The first 6 inches of top soil will be removed, stockpiled along the Northern edge of the well pad and reserved for reclamation. The drill pad is approximately 300' x 300'. The reserve pit is in the Southeast corner of the drill pad and is approximately 150' x 75' x 10' with 3:1 slopes. Upon inspection, the reserve will be re-lined if necessary. Three sides of the reserve pit will be fenced prior to drilling operations and the fourth side of the pit will be fenced when drilling operations cease. The fence will be constructed using 32" woven wire topped with two smooth wire strands 4" and 16" above the woven wire. Steel T-posts will be set 16.5' apart and two stays will be used between the posts. Corner posts will be

2' H Posts or more and anchored. The fence will be kept in repair while the pit dries. It is anticipated 2-3 days will be needed to dress up the well pad, reserve pit and access. No new surface disturbance is anticipated. The reserve pit is located in the cut, with 100% of the pit volume being below the original ground level. Wildlife protection, consisting of appropriate netting, will be used to cover the reserve pit.

g) Ancillary Facilities

N/A

h) Well Site Layout

All existing wells in the vicinity of this well pad are shown on the attached Topographical Map. Access to the well pad will be shown on the Topographical Map.

i) Plans for Restoration of the Surface

The top 6 inches of topsoil material will be removed from the location and stockpiled separately on the north side of the pad.

Immediately upon completion of drilling, all equipment that is not necessary for production will be removed.

Before any dirt work to restore the location takes place, the reserve pit must be completely dry.

All road surfaces will be removed prior to the rehabilitation of roads.

Reclaimed roads will have the berms and cuts reduced and will be closed to vehicle use.

All disturbed areas will be re-contoured to replicate the natural slope.

The stockpiled topsoil will be evenly distributed over the disturbed area.

In the event the well is abandoned an abandonment marker will be placed below ground level. The marker will supply the operator name, lease number, well name and surveyed description (township, range, section and either quarter-quarter or footages).

11) Surface and Mineral Ownership

The surface is Fee and the minerals are owned by the State of Utah.

12) Other Information

a) Archaeological Concerns: None

If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and will contact the authorized officer (AO). Within five (5) working days, the AO will inform the operator as to:

- whether the materials appear eligible for the National Register of Historic Places;
- the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and
- a time frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that the mitigation is appropriate.
- If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide the technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will be allowed to resume construction.


b) Threatened and Endangered Species Concerns: No known concerns.

c) Wildlife Seasonal Restrictions (yes/no): Deer Winter Range December 15 – April 30.

d) Off Location Geophysical Testing: N/A

e) Drainage crossing that require additional State or Federal approval: N/A

f) Other: Anticipated spud date, October 15, 2007.


Donal W. Key
Surface Operations
August 27, 2007

CONTACT LIST

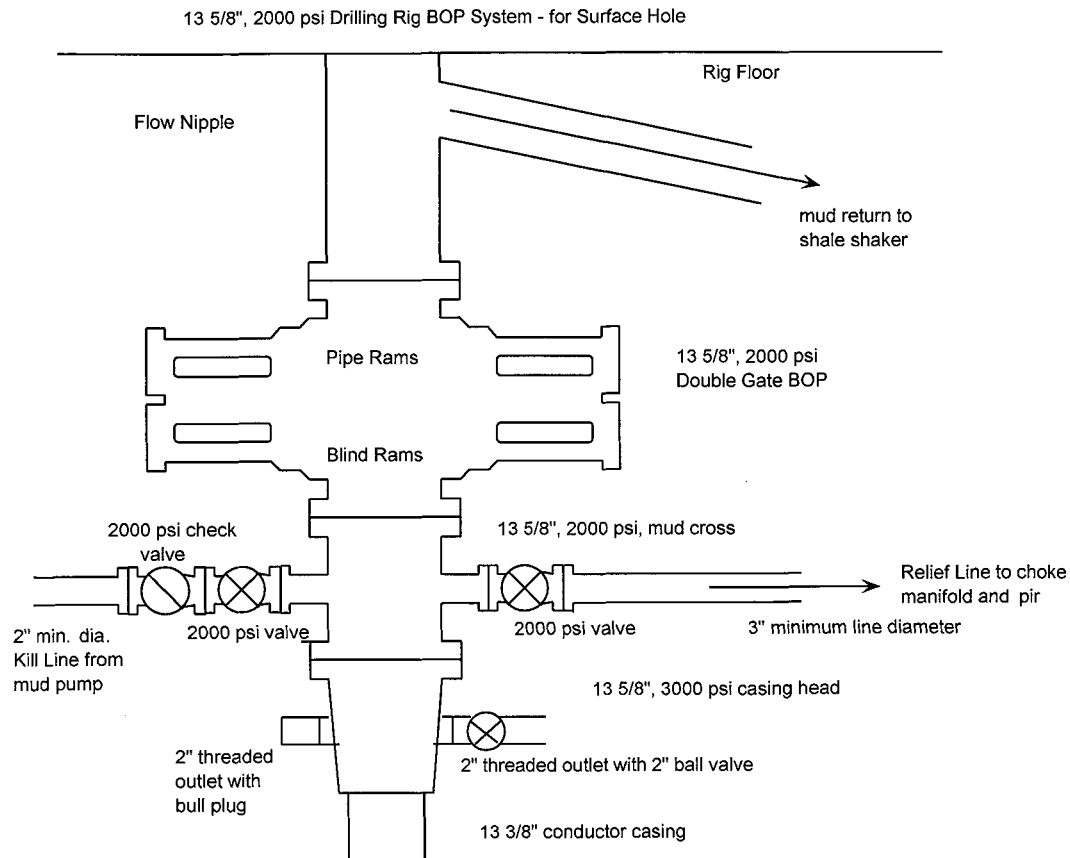
Utah Projects

CrownQuest Operating , LLC
303 Veterans Airpark Ln
P.O. Box 53310
Midland, Texas 79710
Tommy Lent, PE, Vice President-Operations & Engineering
432-818-0300

CrownQuest Operating, LLC
P.O. Box 2221 * 2600 Farmington Ave.
Farmington, NM 87499
Robert R. Griffie, PE, Operations Manager & CQ Agent
505-326-6813
Fax: 505-326-6814
Donal Key, Surface Operations
505-716-2543
Fax: 505-326-6814

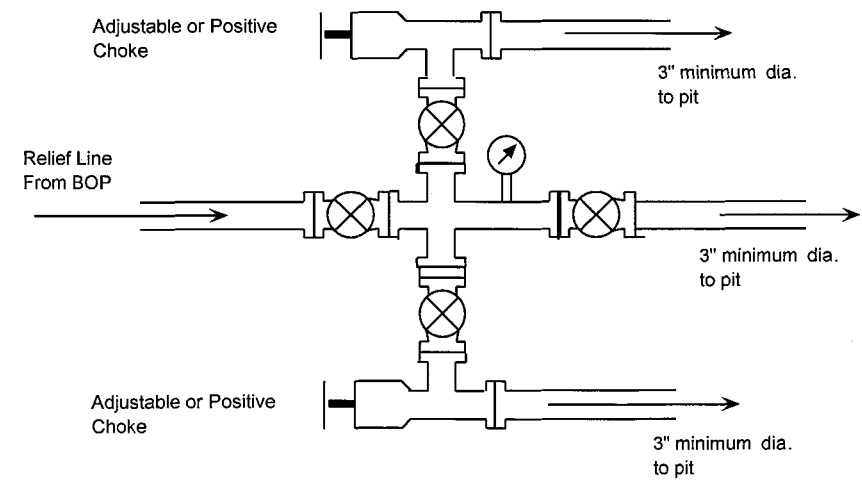
Basin Surveying, Inc
P.O. Box 6456
Farmington, NM 87499
108 Llano, Aztec NM 87410
John D. Wayne, P.L.S.
505-334-1500
Fax: 505-334-1498

Figure 1



BOP Installation from Conductor Casing depth (150') to Intermediate Casing depth (2100').
13 5/8", 2000 psi double gate BOP equipped with blind and pipe rams. All equipment rated at 2000 psi or greater working pressure.

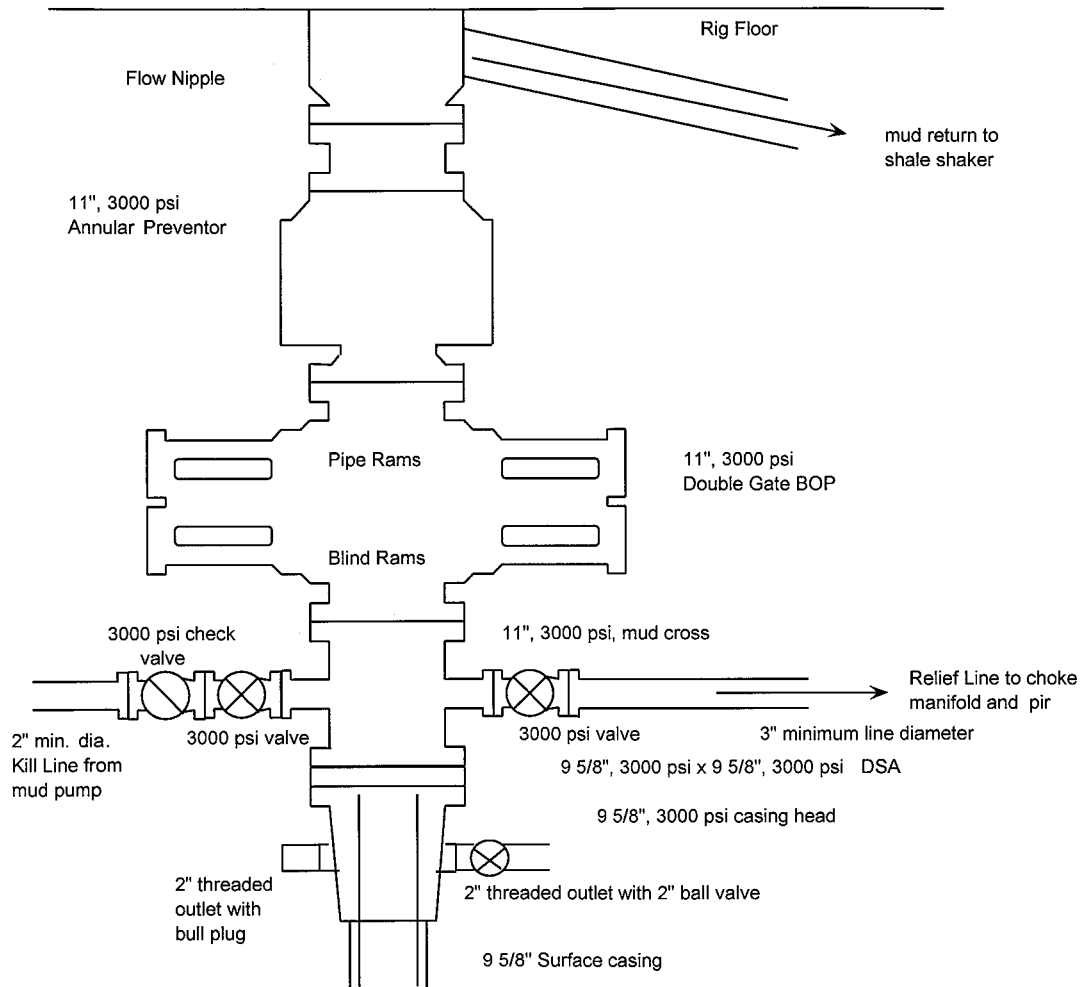
Figure 2



Choke manifold for BOP system shown in Figure 1.
All equipment to be rated at 2000 psi or greater.

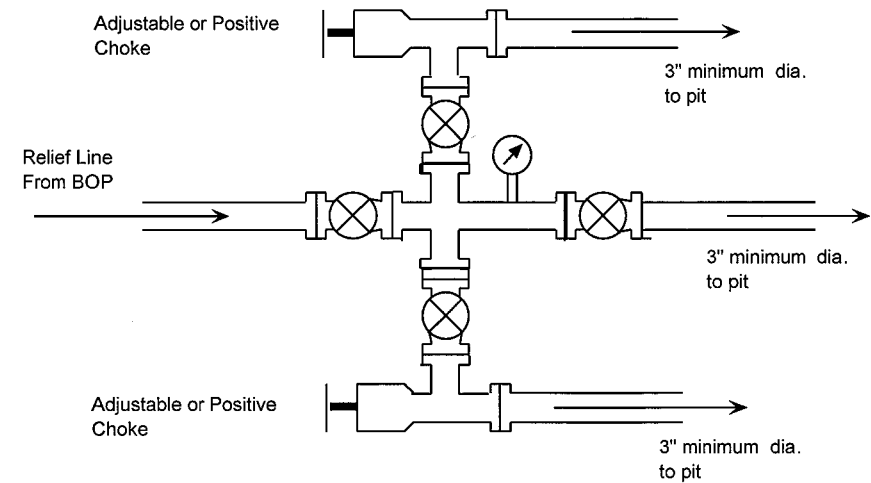
Figure 3

11", 3000 psi Drilling Rig BOP System



BOP Installation from Surface Casing depth (2100') to TD (5875'). 11", 3000 psi double gate BOP equipped with blind and pipe rams, 11" Annular BOP. All equipment rated at 3000 psi or greater working pressure.

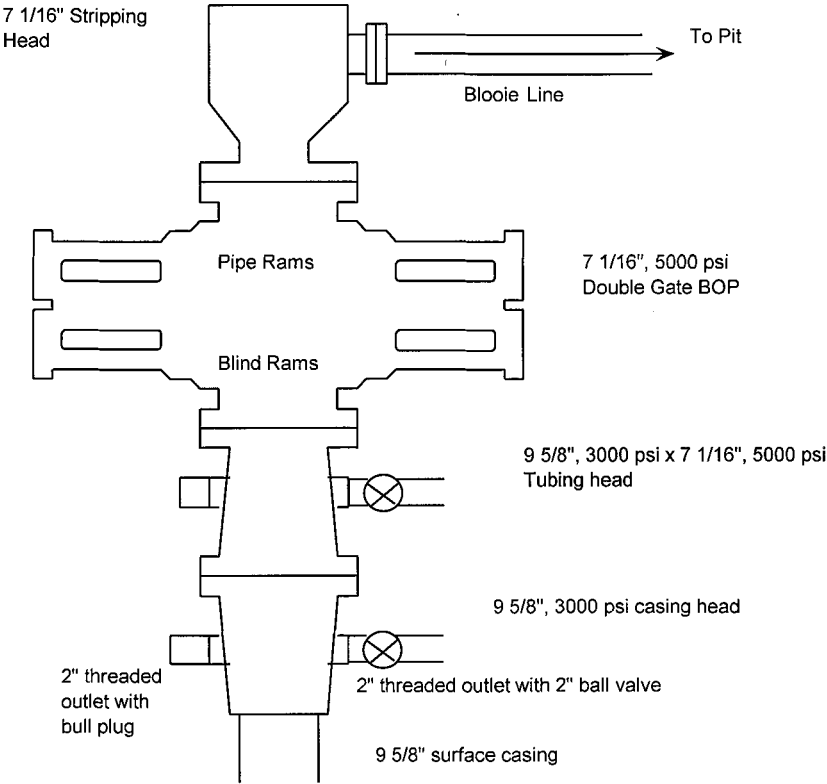
Figure 4



Choke manifold for BOP system shown in Figure 3. All equipment to be rated at 3000 psi or greater.

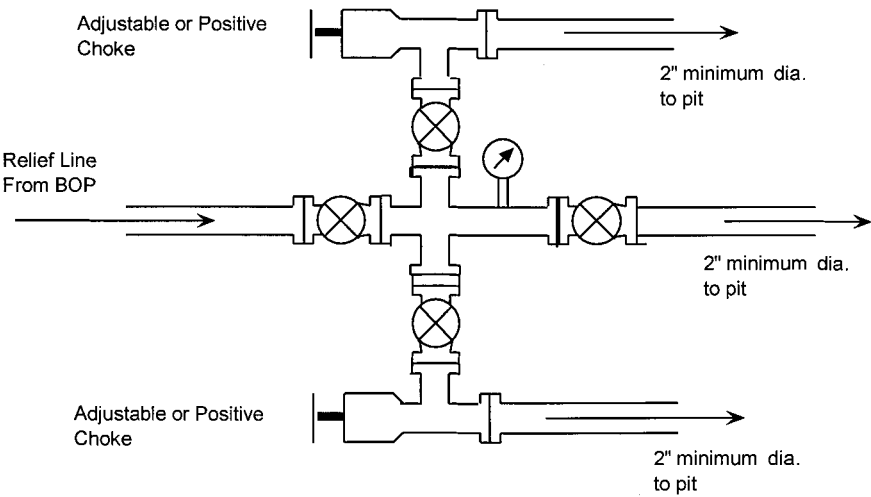
Figure 5

7 1/16", 5000 psi Completion Rig BOP System

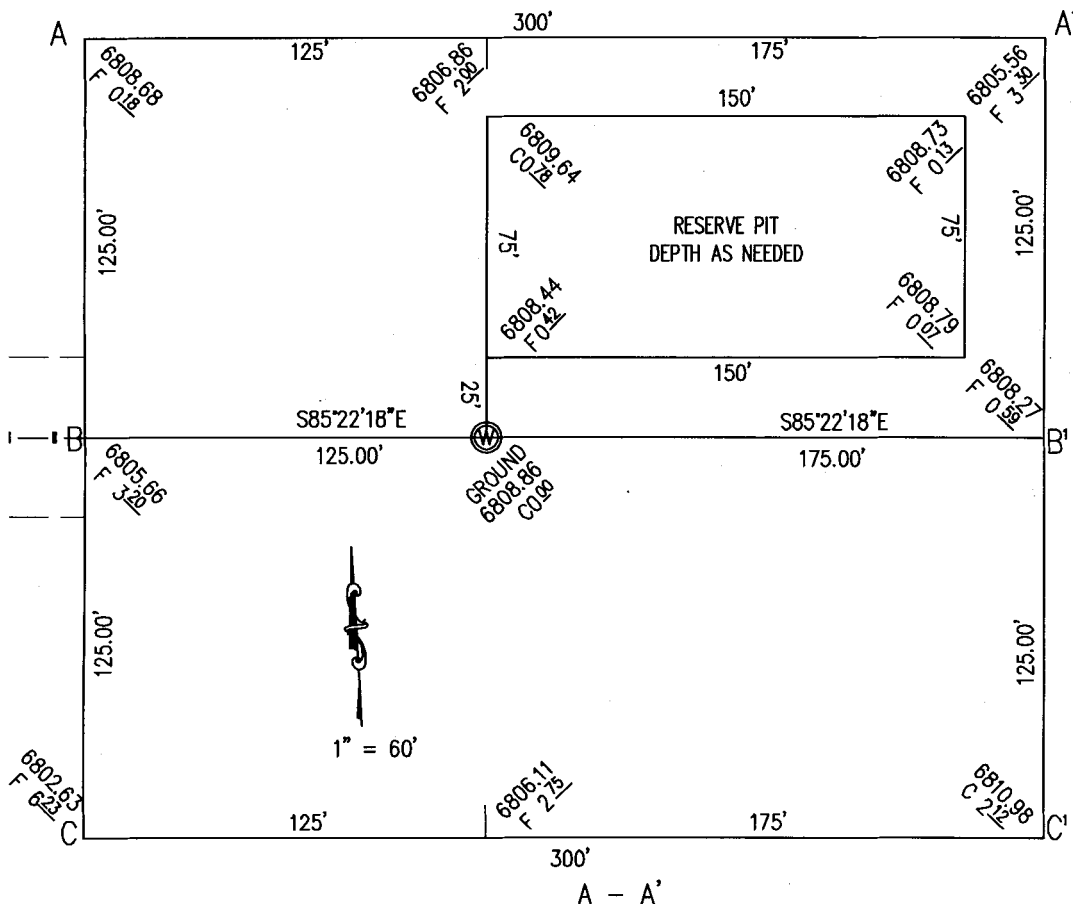


BOP Installation for Completion operations. 7 1/16", 5000 psi double gate BOP equipped with blind and pipe rams. All equipment rated at 5000 psi or greater working pressure.

Figure 6



Choke manifold for BOP system shown in Figure 5. All equipment to be rated at 5000 psi or greater.



Crown Quest Operating
 OPERATOR
 Explorer State #1-16
 WELL NAME and NUMBER
 1300.00' F/NL 1500.00' F/EL
 FOOTAGES
 16 34S 25E
 SEC. TWP. RGE.
 N37.025729° W109.178023° 83
 LAT. LONG. NAD
 PODP #4
 GPS
 San Juan, Utah
 COUNTY STATE
 august 21, 2007
 REVISED DATE:
 April 20, 2007
 DATE

SCALE
 Horiz. 1" = 50'
 Vert. 1" = 30'

A - A'

6818							
6808							6808
6798							
6788							

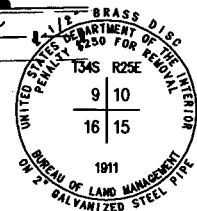
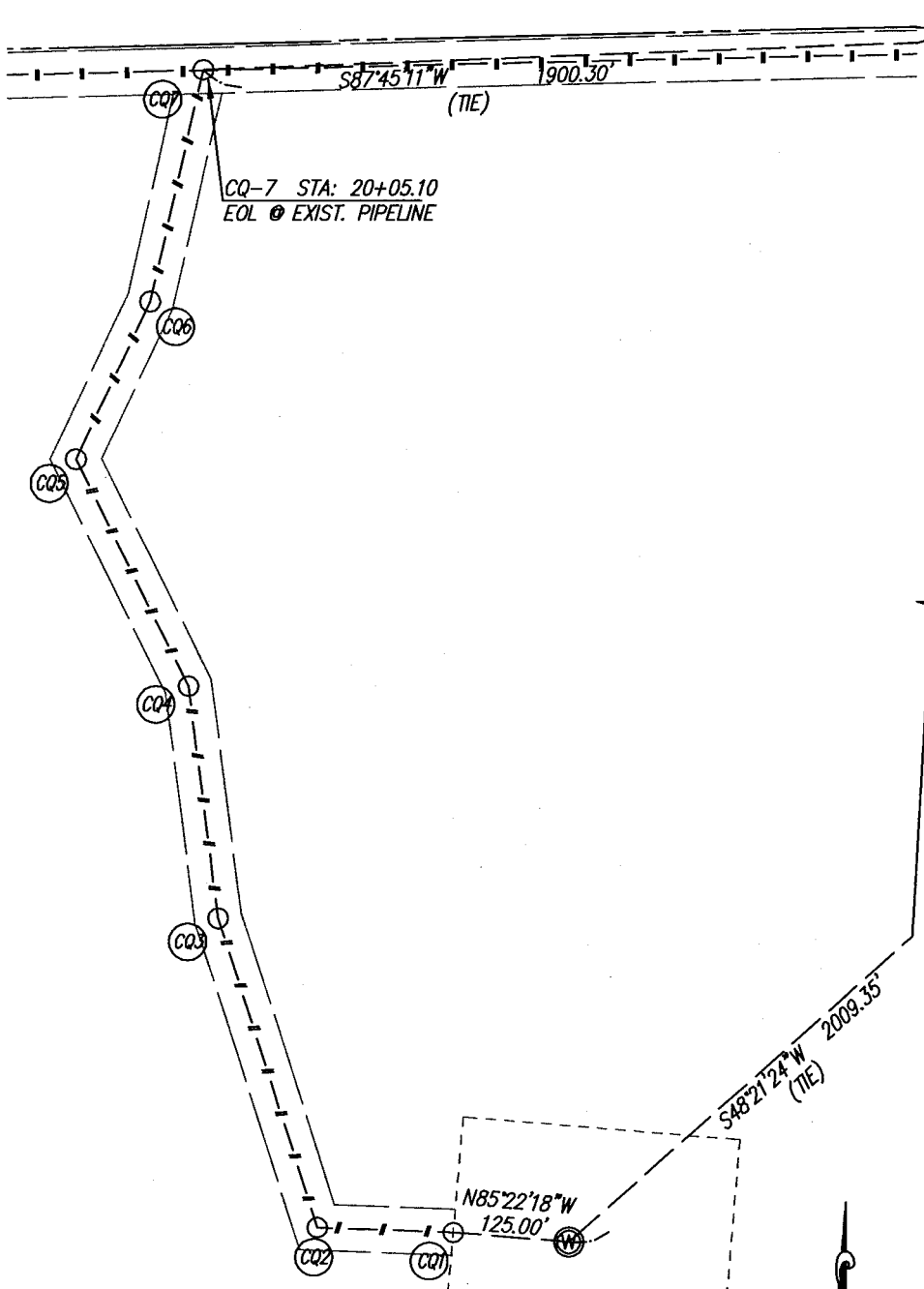
B - B'

6818							
6808							6808
6798							
6788							

C - C'

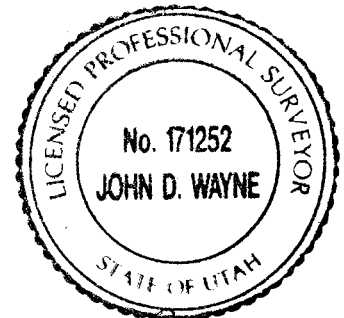
6828							
6818							
6808							6808
6798							
6788							

EXPLORER STATE #1-16
PROPOSED PIPELINE



START

	0+00	CQ STATE 1-16	
IN	NW	85 22 18	125.00
	CQ1	1+25.00	CQ-1 @ WESTSIDE OF PAD
IN	NW	87 51 43	146.05
	CQ2	2+71.05	CQ-2
IN	NW	17 54 23	348.36
	CQ3	6+19.41	CQ-3
IN	NW	07 27 29	252.30
	CQ4	8+71.72	CQ-4
IN	NW	26 35 50	272.86
	CQ5	11+44.57	CQ-5
IN	NE	25 19 08	186.80
	CQ6	13+31.37	CQ-6
IN	NW	12 28 07	256.71
	CQ7	20+05.10	CQ-7 EOL @ EXIST. PIPELINE



John D. Wayne
Professional Surveyor
Utah Reg. No. 171252

Some information on this plat is based on information taken from previous surveys, record information, or collateral evidence and may not reflect that which may be disclosed by a complete boundary survey. This plat is not to be relied on for the establishment of surface boundaries, fences, buildings or other future improvements.

100' 100'
1" = 200'

REVISED DATE: 8/21/07
DRAWING NO: 00845FEDERAL16E-1D

SEC.	TWP.	RGE.	1/4 SEC.	WIDTH	LENGTH			ACRES	CROWN QUEST OPERATING PROPOSED PIPELINE EXPLORER STATE 1-16 Sec. 16, T-34-S, R-25-E, S.L.B.M. San Juan County, Utah
					FEET	RODS	MILES		
16	34S	25E	NE1/4	50'	2005.10'	121.52	0.38	2.30	
TOTALS					2005.10'	121.52	0.38	2.30	SCALE: 1"=200' DATE: 04/20/07

fax = 505-326-6814

T34S R25E

BANANA
SLUG FED 1-8

MAPP 1-17

COQUINA-
ENDTIER 1

FRIZELL 1

BOULDER
KNOLL ST 1

BOULDER
KNOLL 1E

EXPLORER
ST 1-16

OPERATOR: CROWNQUEST OPER (N2685)

SEC: 16 T.34S R. 25E

FIELD: WILDCAT (001)

COUNTY: SAN JUAN

SPACING: R649-3-3 / EXCEPTION LOCATION

Field Status
 ABANDONED
 ACTIVE
 COMBINED
 INACTIVE
 PROPOSED
 STORAGE
 TERMINATED

Unit Status
 EXPLORATORY
 GAS STORAGE
 NF PP OIL
 NF SECONDARY
 PENDING
 PI OIL
 PP GAS
 PP GEOTHERML
 PP OIL
 SECONDARY
 TERMINATED

Wells Status

GAS INJECTION
 GAS STORAGE
 LOCATION ABANDONED
 NEW LOCATION
 PLUGGED & ABANDONED
 PRODUCING GAS
 PRODUCING OIL
 SHUT-IN GAS
 SHUT-IN OIL
 TEMP. ABANDONED
 TEST WELL
 WATER INJECTION
 WATER SUPPLY
 WATER DISPOSAL
 DRILLING



PREPARED BY: DIANA MASON
 DATE: 10-SEPTEMBER-2007

Application for Permit to Drill

Statement of Basis

11/7/2007

Utah Division of Oil, Gas and Mining

Page 1

APD No	API WellNo	Status	Well Type	Surf Ownr	CBM
538	43-037-31870-00-00		GW	S	No
Operator	CROWNQUEST OPERATING, LLC		Surface Owner-APD		
Well Name	EXPLORER ST 1-16		Unit		
Field	UNDESIGNATED		Type of Work		
Location	NWNE 16 34S 25E S 1300 FNL 1500 FEL GPS Coord (UTM) 660422E 4187825N				

Geologic Statement of Basis

Significant volumes of high quality ground water are likely to be encountered at this location. A moderately permeable soil is likely to be developed on the relatively thin Dakota Sandstone/Burro Canyon Formation. Several nearby water supply wells that are documented in the Division of Water Rights database reveal that the water table was encountered around 40 feet of depth, most likely in the Dakota Sandstone. Two underground sources of water have been filed on within a mile. The base of moderately saline ground water in a nearby well was determined to be at about 3,000' of elevation, which corresponds to the Cutler Formation at around 3,800' TD according to the geologic prognosis. It is likely that fresh water may also be found in the Morrison Formation, the Entrada Sandstone, and the Navajo Sandstone, perhaps even in the upper Cutler Formation. The proposed drilling, casing and cementing program should adequately isolate any zones of fresh water that may be penetrated. The proposed mud system is a benign fresh water based system.

Chris Kierst
APD Evaluator

11/7/2007
Date / Time

Surface Statement of Basis

On-site evaluation completed September 24, 2007, attending: Bart Kettle-Division of Oil, Gas and Mining (DOGM), Ed Bonner-Trust Lands Administration (SITLA), Kyle Beagley-Division of Wildlife Resources (DWR), Donal Key-CrownQuest Operating, LLC

Reserve pit requires a liner to prevent migration of materials into shallow high quality water zones commonly found within the project area. A fence will be required around the reserve pit to prevent entrance and entrapment of livestock and wildlife.

Bart Kettle
Onsite Evaluator

9/24/2007
Date / Time

Conditions of Approval / Application for Permit to Drill

Category	Condition
Pits	A synthetic liner with a minimum thickness of 16 mils shall be properly installed and maintained in the reserve pit.
Surface	The reserve pit shall be fenced upon completion of drilling operations.

ON-SITE PREDRILL EVALUATION

Utah Division of Oil, Gas and Mining

Operator CROWNQUEST OPERATING, LLC
Well Name EXPLORER ST 1-16
API Number 43-037-31870-0 **APD No** 538 **Field/Unit** UNDESIGNATED
Location: 1/4,1/4 NWNE **Sec** 16 **Tw** 34S **Rng** 25E 1300 FNL 1500 FEL
GPS Coord (UTM) **Surface Owner**

Participants

Bart Kettle-Division of Oil, Gas and Mining (DOGM), Ed Bonner-Trust Lands Administration (SITLA), Kyle Beagley-Division of Wildlife Resources (DWR), Donal Key-CrownQuest Operating, LLC

Regional/Local Setting & Topography

Proposed project location is ~10 miles east of Monticello, San Juan County, Utah. The immediate area surrounding the proposed well is a mixture of CRP fields and Pinion/Juniper rangelands. Project is staked on fee surface owned by Lemuel Redd of Monticello. Per conversation with Mr. Redd surface lands have been sold pending the real estate transaction process. Access to this well will be along existing County maintained roads and approximately 1300' of upgraded two track access across lands currently held by Mr. Redd. Regionally the project site is located along the eastern edge of the Canyon lands portion or the Colorado Plateau. Topography is a series of large mesas cut by sandstone outcrops and narrow canyons. Drainage is to the southwest entering Montezuma Creek within 15 miles. Locally a majority of the surface is being used for dry land farming or CRP pastures.

Surface Use Plan

Current Surface Use

Agricultural
Grazing
Wildlife Habitat

New Road

Miles	Well Pad		Src Const Material	Surface Formation
0.25	Width 250	Length 300	Onsite	DKTA

Ancillary Facilities N

Waste Management Plan Adequate? Y

Environmental Parameters

Affected Floodplains and/or Wetland N

Flora / Fauna

Flora:

Grass: Indian Rice grass, blue grama, cheatgrass.
Forbs: Lambsquarter, red stem filaree, rocket gila, lomatium spp.
Shrubs: Wyoming sage, broom snakeweed, apple brush
Trees: Utah Juniper, two needle pinion.

Soil Type and Characteristics

Deep orange loam

Erosion Issues N

Sedimentation Issues N

Site Stability Issues N

Drainage Diversion Required N

Berm Required? N

Erosion Sedimentation Control Required? N

Paleo Survey Run? N **Paleo Potential Observed?** N **Cultural Survey Run?** N **Cultural Resources?** N

Reserve Pit

Site-Specific Factors		Site Ranking
Distance to Groundwater (feet)	100 to 200	5
Distance to Surface Water (feet)	>1000	0
Dist. Nearest Municipal Well (ft)	>5280	0
Distance to Other Wells (feet)	>1320	0
Native Soil Type	High permeability	20
Fluid Type	Fresh Water	5
Drill Cuttings	Normal Rock	0
Annual Precipitation (inches)	10 to 20	5
Affected Populations	<10	0
Presence Nearby Utility Conduits	Not Present	0
Final Score		35 1 Sensitivity Level

Characteristics / Requirements

Closed Loop Mud Required? N **Liner Required?** Y **Liner Thickness** 12 **Pit Underlayment Required?** N

Other Observations / Comments

Proposed project stacked on a P/J Wyoming sage knob adjacent to a CRP field. Surface is FEE and incorrectly shown as State in submitted APD. Upon request CrownQuest provided surface ownership information being Lemuel Redd. Per conversation with Mr. Redd on 10/22/2007 DOGM informed that property has been sold and is awaiting finalization of the real estate process. Mr. Redd has been advised by his real estate agent not to sign a Surface Use Agreement as that process should be handled by the acquiring owner.

Bart Kettle
Evaluator

9/24/2007
Date / Time

utah.gov


Online Services

Agency List

Business

Utah Division of Water Rights

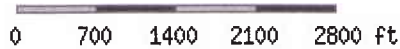
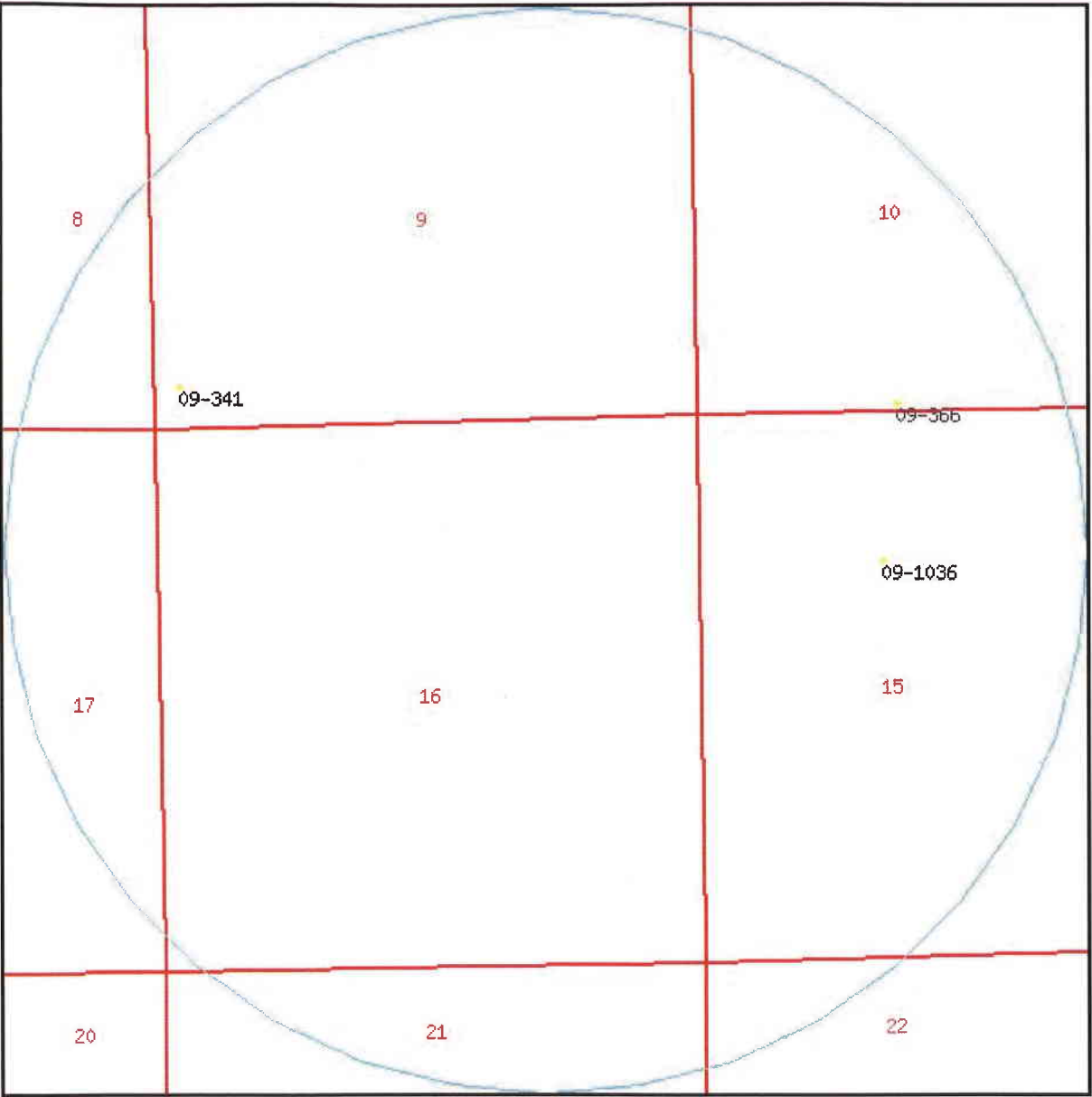
Search



WRPLAT Program Output Listing

Version: 2007.04.13.01 Rundate: 11/07/2007 11:22 AM

Radius search of 5280 feet from a point S1300 W1500 from the NE corner, section 16, Township 34S, Range 25E, SL b&m Criteria:wrtypes=W,C,E
podtypes=S,U,Sp status=U,A,P usetypes=all



Water Rights

WR Number	Diversion Type/Location	Well Log	Status	Priority	Uses	CFS	ACFT	Owner Name
<u>09-1036</u>	Surface S1400 E1800 NW 15 34S 25E SL		U	1978	0403 IOS	0.000	1500.000	DARYLE M. REDD P.O. BOX #485
<u>09-341</u>	Underground N427 E239 SW 09 34S 25E SL	<u>well info</u>	P	1964	0421 D	0.014	0.000	GEORGE W. ENDTER BOX 503
<u>09-366</u>	Underground N26 W3379 SE 10 34S 25E SL	<u>well info</u>	P	1964	1030 S	0.005	0.000	ELDON K. JOHNSON MONTICELLO UT 84535

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Search Utah.gov



Utah Division of Water Rights



Activity

#	WIN	Drilling Company	Activity Type	Activity Begin Date
1	19825	French, L.R. Water Wells	New	01/02/1961

Well Features

#	WIN	Drilling Method	Total Bore Depth	Finished Well Depth	Finished Casing Diameter	Well Intake Depth	Geologic Log
1	19825	Cable Tool	90	90	6	60	No

Comments

#	Datestamp	Text
No comment records found for this location		

Water Level Records

#	WIN	Date	Time	Depth	Status	Method
1	19825	01/15/1961		40	Static	

Water Quality Records

#	WIN	Date	Time	Parameter	Value
No water quality records found for this location					

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Utah Division of Water Rights



Activity

#	WIN	Drilling Company	Activity Type	Activity Begin Date
1	19829	French, L.R. Water Wells	New	07/06/1965

Well Features

#	WIN	Drilling Method	Total Bore Depth	Finished Well Depth	Finished Casing Diameter	Well Intake Depth	Geologic Log
1	19829	Cable Tool	43	43	6.63	43	No

Comments

#	Datestamp	Text
No comment records found for this location		

Water Level Records

#	WIN	Date	Time	Depth	Status	Method
1	19829	07/12/1965		40	Static	

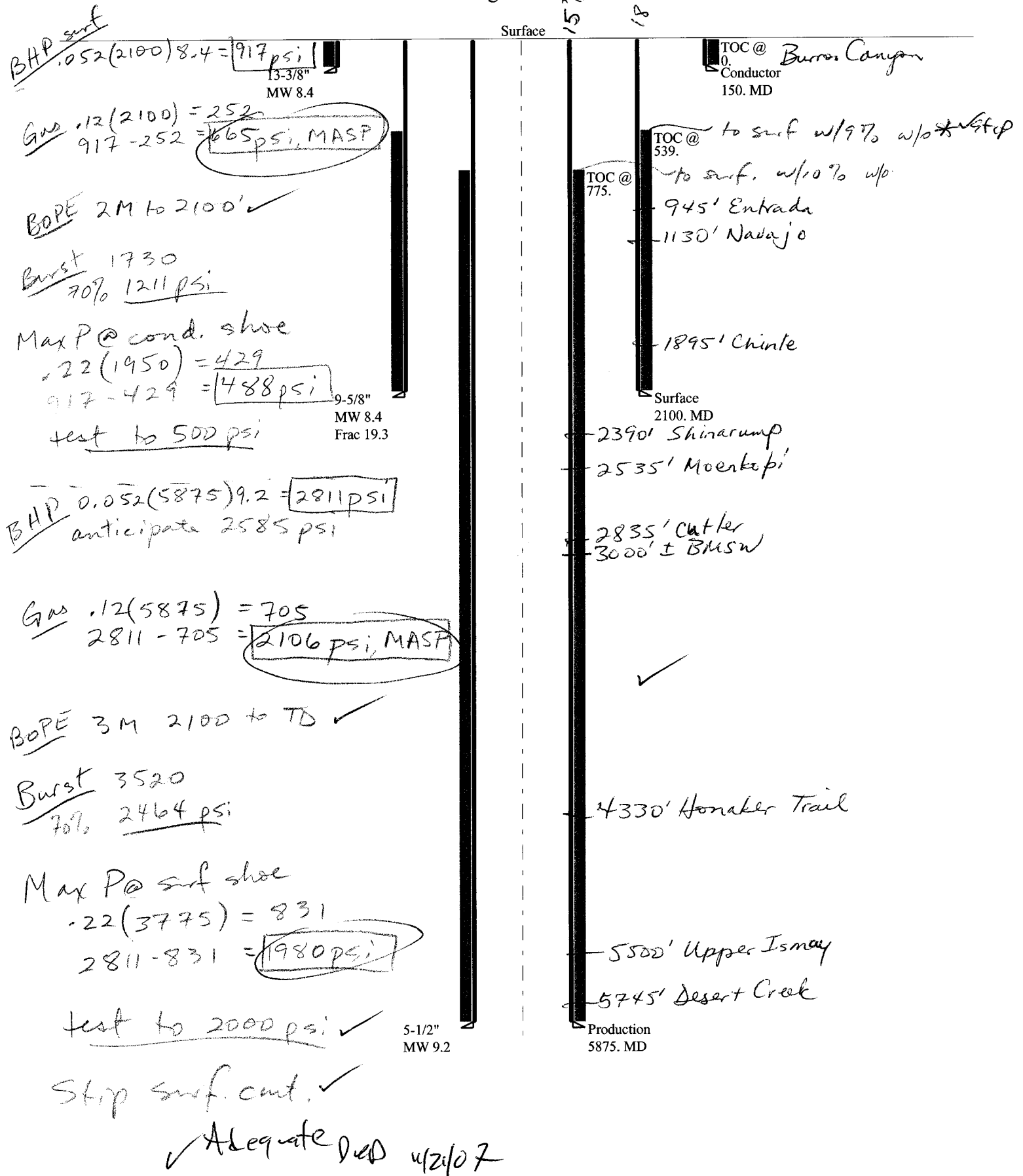
Water Quality Records

#	WIN	Date	Time	Parameter	Value
No water quality records found for this location					

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2007-11 CrownQuest Explorer ST 1-16

Casing Schematic



Well name:	2007-11 CrownQuest Explorer ST 1-16	
Operator:	CrownQuest Operating , LLC	
String type:	Conductor	Project ID: 43-037-31870
Location:	San Juan County	

Design parameters:
Collapse

Mud weight: 8.400 ppg
Design is based on evacuated pipe.

Minimum design factors:
Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 77 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,500 ft

Cement top: Surface

Burst

Max anticipated surface pressure: 47 psi
Internal gradient: 0.120 psi/ft
Calculated BHP 65 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Non-directional string.

Tension is based on buoyed weight.
Neutral point: 132 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	150	13.375	48.00	H-40	ST&C	150	150	12.59	132.3
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	65	740	11.306	65	1730	26.43	6	322	50.99 J

Prepared Helen Sadik-Macdonald
by: Div of Oil, Gas & Minerals

Phone: 801-538-5357
FAX: 801-359-3940

Date: November 16, 2007
Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 150 ft, a mud weight of 8.4 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:	2007-11 CrownQuest Explorer ST 1-16		
Operator:	CrownQuest Operating , LLC		
String type:	Surface	Project ID:	43-037-31870
Location:	San Juan County		

Design parameters:

Collapse

Mud weight: 8.400 ppg
Design is based on evacuated pipe.

Minimum design factors:

Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 104 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 250 ft

Cement top: 539 ft

Burst

Max anticipated surface pressure: 1,848 psi
Internal gradient: 0.120 psi/ft
Calculated BHP 2,100 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Tension is based on buoyed weight.
Neutral point: 1,839 ft

Non-directional string.

Re subsequent strings:

Next setting depth: 5,875 ft
Next mud weight: 9.200 ppg
Next setting BHP: 2,808 psi
Fracture mud wt: 19.250 ppg
Fracture depth: 2,100 ft
Injection pressure: 2,100 psi

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	2100	9.625	36.00	J-55	LT&C	2100	2100	8.796	911.5
Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	916	2020	2.204	2100	3520	1.68	66	453	6.84 J

Prepared by: Helen Sadik-Macdonald
Div of Oil, Gas & Minerals

Phone: 801-538-5357
FAX: 801-359-3940

Date: November 16, 2007
Salt Lake City, Utah

Remarks:

Collapse is based on a vertical depth of 2100 ft, a mud weight of 8.4 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

Well name:	2007-11 CrownQuest Explorer ST 1-16	
Operator:	CrownQuest Operating , LLC	
String type:	Production	Project ID: 43-037-31870
Location:	San Juan County	

Design parameters:
Collapse

Mud weight: 9.200 ppg
Design is based on evacuated pipe.

Minimum design factors:
Collapse:

Design factor 1.125

Burst:

Design factor 1.00

Environment:

H2S considered? No
Surface temperature: 75 °F
Bottom hole temperature: 157 °F
Temperature gradient: 1.40 °F/100ft
Minimum section length: 1,500 ft

Cement top: 775 ft

Burst

Max anticipated surface pressure: 1,515 psi
Internal gradient: 0.220 psi/ft
Calculated BHP 2,808 psi

No backup mud specified.

Tension:

8 Round STC: 1.80 (J)
8 Round LTC: 1.80 (J)
Buttress: 1.60 (J)
Premium: 1.50 (J)
Body yield: 1.50 (B)

Non-directional string.

Tension is based on buoyed weight.

Neutral point: 5,055 ft

Run Seq	Segment Length (ft)	Size (in)	Nominal Weight (lbs/ft)	Grade	End Finish	True Vert Depth (ft)	Measured Depth (ft)	Drift Diameter (in)	Internal Capacity (ft³)
1	5875	5.5	17.00	P-110	LT&C	5875	5875	4.767	766.8

Run Seq	Collapse Load (psi)	Collapse Strength (psi)	Collapse Design Factor	Burst Load (psi)	Burst Strength (psi)	Burst Design Factor	Tension Load (Kips)	Tension Strength (Kips)	Tension Design Factor
1	2808	7480	2.664	2808	10640	3.79	86	445	5.18 J

Prepared Helen Sadik-Macdonald
by: Div of Oil,Gas & Minerals

Phone: 801-538-5357
FAX: 801-359-3940

Date: November 16,2007
Salt Lake City, Utah


Remarks:

Collapse is based on a vertical depth of 5875 ft, a mud weight of 9.2 ppg. The casing is considered to be evacuated for collapse purposes. Collapse strength is based on the Westcott, Dunlop & Kemler method of biaxial correction for tension.

Burst strength is not adjusted for tension.

Engineering responsibility for use of this design will be that of the purchaser.

STATE ACTIONS
Resource Development Coordinating Committee
Public Lands Policy Coordination Office
5110 State Office Building
SLC, UT 84114
Phone No. 537-9230

1. State Agency Oil, Gas and Mining 1594 West North Temple, Suite 1210 Salt Lake City, UT 84114-5801	2. Approximate date project will start: Upon Approval or September 25, 2007
3. Title of proposed action: Application for Permit to Drill	
4. Description of Project: CrownQuest Operating, LLC proposes to drill the Explorer State 1-16 well (wildcat) on State lease ML-47966, San Juan County, Utah. This action is being presented to the RDCC for consideration of resource issues affecting state interests. The Division of Oil, Gas and Mining is the primary administrative agency in this action and must issue approval before operations commence.	
5. Location and detailed map of land affected (site location map required, electronic GIS map preferred) (include UTM coordinates where possible) (indicate county) 1300' FNL 1500' FEL, NW/4 NE/4, Section 16, Township 34 South, Range 25 East, San Juan County, Utah	
6. Possible significant impacts likely to occur: Surface impacts include up to five acres of surface disturbance during the drilling and completion phase (estimated for five weeks duration). If oil and gas in commercial quantities is discovered, the location will be reclaimed back to a net disturbance of between one and two acres – not including road, pipeline, or utility infrastructure. If no oil or gas is discovered, the location will be completely reclaimed.	
7. Identify local government affected a. Has the government been contacted? No. b. When? c. What was the response? d. If no response, how is the local government(s) likely to be impacted?	
8. For acquisitions of land or interests in land by DWR or State Parks please identify state representative and state senator for the project area. Name and phone number of state representative, state senator near project site, if applicable: a. Has the representative and senator been contacted? N/A	
9. Areawide clearinghouse(s) receiving state action: (to be sent out by agency in block 1) Southeastern Utah Association of Governments	
10. For further information, contact: Diana Mason Phone: (801) 538-5312	11. Signature and title of authorized officer  Gil Hunt, Associate Director Date: September 11, 2007

CROWNQUEST

CROWNQUEST OPERATING, LLC

12/20/2007

Division of Oil, Gas and Mining
1594 W. N. Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Re; Explorer State 1-16

To Whom It May Concern:

In reference to the State Oil and Gas Conservation Rule R649-3-2, CrownQuest Operating, LLC, requests an exception for the Explorer State # 1-16 (API # unassigned). The location of this well is 1300' FNL x 1500' FEL, Section 16, T34S, R25E, San Juan County, Utah. CrownQuest has the only oil and gas mineral lease within a 460' radius of the well head location and requests the spacing exception in order to drill this well on a geologically mapped stratigraphic lineament.

If you need additional information, please contact Donal Key at (505) 716-2543 or e-mail at donalkey@msn.com.

Sincerely,



Donal Key,
Surface Operations

P.O. Box 2221 • FARMINGTON, NEW MEXICO 87499 • 505.325.5750 • FAX 505.326.6814

RECEIVED

DEC 26 2007

DIV. OF OIL, GAS & MINING

CROWNQUEST

CrownQuest Operating, LLC

Department of Natural Resources
Division of Oil, Gas and Mining
Attention: Brad Hill
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84116

Dear Mr. Hill,

Please accept the attached surface bond for non-TLA land access as a substitute for a surface use agreement necessary for the Explorer State #1-16 APD. The reference lease is ML-47996 which is in the NE/4 Section 16 T34S R25E San Juan County, UT. Please contact me with any questions or concerns.

Sincerely,

Luke Dunn
Engineer
505-325-5750 Office
432-638-4731 Cell
ldunn@crowquest.com

CROWNQUEST

CROWNQUEST OPERATING, LLC

November 5, 2007

Utah School and Institutional
Trust Lands Administration
Attn: LaVonne J. Garrison
Associate Director-Oil & Gas
675 E. 500 South, Suite 500
Salt Lake City, Utah 84102-2818

Re: *Bonded Surface Access Approval
State of Utah Oil, Gas and
Hydrocarbon Lease ML-47996
T34S, R25E, SLM
Section 16: NE¼
San Juan County, Utah*

Dear Ms. Garrison:

Crown Quest Operating, LLC ("CQ") is the current record title lessee, and the duly designated operator on behalf of all operating rights owners, under the captioned State oil, gas and hydrocarbon lease which covers the captioned lands, among others. There are split estates in these particular lands; the surface being owned by Lemuel Hardison Redd IV and Julia Davidson Redd, Trustees of the Lemuel Hardison Redd IV and Julia Davidson Redd Trusts dated 2/12/00, P.O. Box 333, Monticello, Utah 84535 (the "Redds"). CQ requests, pursuant to Utah Code Ann. §53C-2-409(3)(c), the approval of the Utah School and Institutional Trust Lands Administration ("TLA") of a \$10,000 bond in the form of a Certificate of Deposit for the benefit of the Redds to allow CQ immediate access to the lands to exercise its rights under the lease to drill a well. This amount is based upon our previous offer to the Redds of \$3,500 per acre for the drill site and \$21.50 per rod for the access road. CQ estimates the drill site to be 2 acres and the road to be 90 rods for a total of \$8,935. We have rounded up that amount to \$10,000 to compensate for any contingencies.

Time Account Receipt/Disclosure

Bank Name

Wells Fargo Bank, N.A.

Time Account number

7860053219

Date opened

11/21/2007

Term of Time Account

12 months days

Maturity date

Your Time Account will mature on 11/21/2008

Interest rate

3.59

Fixed rate

X

Variable rate

Annual percentage yield

3.65

Interest will be paid

EVERY 01 MONTHS AND AT WITHDRAWAL

The method of interest payment will be

BY ADDING TO PRINCIPAL

Renewability

YOU WILL AUTOMATICALLY RENEW MY TIME ACCOUNT
AT MATURITY UNLESS I NOTIFY YOU OTHERWISE

Taxpayer Identification Number (TIN)

87-6000545

The Bank is opening the above described Time Account for your deposit of

TEN THOUSAND AND 0/100

\$ ***\$10,000.00

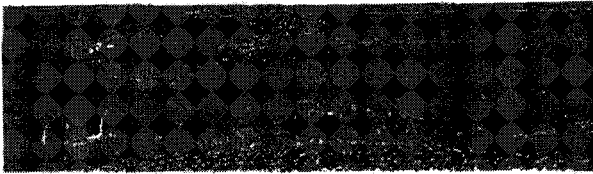
Your name and address

UTAH SCHOOL & INSTITUTIONAL TRUST LAND ADMINISTRATION FBO
LEMUEL HARDISON REDD IV
675 E 500 S STE 500
SALT LAKE CITY UT 841022813

11/21/2007 10:04

B3591 00720 Bank# 00808

This is a receipt. It need not be presented at the time you obtain payment from the Bank.
WS0164 (11/04, 82975-J) Time Accounts



WELLS FARGO WMG
Siri D. Langston
500 W. Texas, 3rd Floor
Midland, TX 79701
(432) 685-5125
Fax (432) 685-5312
siri.d.langston@wellsfargo.com

Fax

To: LaVonne Garrison	From: Siri D. Langston
Fax: 801-355-0922	Pages: 3 (Including Cover)
Phone: 801-538-5197	Date: 11/21/07
Re: Certificate of Deposit	CC:

☐ Urgent ☒ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

• Comments: LaVonne – I am faxing you the Time Account Receipt/Disclosure for the CD from CrownQuest and the letter we discussed. I will be sending the originals to you to be delivered on Monday, 11/26/07. Please contact me if you need anything additional.

Siri Langston

***** IMPORTANT NOTICE *****

This message is intended only for the use of the individual or entity to which it is addressed and may contain information that is privileged, confidential, and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone at (210) 858-3177. Thank you.



Siri D. Langston
Vice President
Private Banking

Private Client Services
MAC TS717-011
500 West Texas, 3rd Floor (79701)
Post Office Box 1959
Midland, TX 79702
432 685-5125
432 553-1109 Cellular
siri.d.langston@wellsfargo.com

November 21, 2007

LaVonne Garrison
Utah School & Institutional Trust Land Administration
675 East 500 South, Suite 500
Salt Lake City 84102

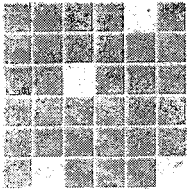
Dear Ms. Garrison,

This letter is to advise you that Wells Fargo Bank, N.A. ("Wells Fargo") has issued as of November 21, 2007, Certificate of Deposit No. 7860053219 in the amount of \$10,000.00, in the name of Utah School & Institutional Trust Land Administration fbo Lemuel Hardison Redd IV, 675 East 500 South, Suite 500, Salt Lake City 84102. The Certificate of Deposit is for a 12 month term, automatically renewing at maturity, unless Wells Fargo is otherwise notified by the Utah School & Institutional Trust Land Administration. This Certificate of Deposit has been funded by CrownQuest Operating, LLC and is now in place at Wells Fargo.

Please do not hesitate to contact me if anything further is needed in regard to this matter.

Sincerely,

Siri D. Langston
Wells Fargo Bank, N.A.
Vice President and Private Banker



State of Utah
School & Institutional
Trust Lands Administration

Jon M. Huntsman, Jr.
Governor

Kevin S. Carter
Director

675 East 500 South, Suite 500
Salt Lake City, UT 84102-2818
801-538-5100
801-355-0922 (Fax)
www.trustlands.com

November 26, 2007

FEDERAL EXPRESS

Crownquest Operating, LLC
ATTENTION: Mr. M. Craig Clark, Land Manager
P.O. Box 53310
Midland, TX 79710

RE: Surface Bond for Non-TLA Land Access
Under §53C-2-409(3)(c)
ML 47996

Dear Mr. Clark:

Crownquest has filed with the Trust Lands Administration a bond in the form of a certificate of deposit in the amount of \$10,000 for the use and benefit of Lemuel Hardison Redd IV, the surface owner of lessee of the land, to secure the payment of damages as may be determined and fixed by agreement or in an action brought upon the bond or undertaking in a court of competent jurisdiction against the principal and sureties of the bond. Please be advised that this bond only covers the lands specified in ML 47996 and does not cover access across other lands not part of the lease. Crownquest also provided the Trust Lands Administration with an Affidavit Outlining Good Faith Efforts to Secure Surface Access to lease ML 47996 without success.

TLA accepts the bond effective with the Director's confirmation on November 30, 2007, and will hold it for the benefit of Lemuel Hardison Redd IV until Crownquest's operations at its first well are completed and the well is plugged and abandoned and surface reclaimed. Should Crownquest desire to drill another well on this lease, it will need to follow the same procedure it followed for the first well. If the company cannot reach agreement with the surface owner for the second well or any subsequent wells on this lease, additional bonding would be required per well. As a courtesy, Crownquest should notify the surface owner of these proceedings prior to entry upon their lands.

Yours very truly,

LaVonne J. Garrison
Assistant Director/Oil & Gas

Specifically, within the next sixty (60) days, CQ intends to drill the "Explorer State 1-16" Well at a location 1,300 feet FNL and 1,500 feet FEL in the NW¼NE¼ of captioned Section 16 in anticipation of gas production. The proposed access and well pad layout are depicted on the attached plat. A conforming application for permit to drill has been filed with the Utah Division, Oil, Gas and Mining but is pending approval, awaiting evidence of a surface access agreement. CQ expects that once the well is ultimately plugged and abandoned (whether as a dry hole or after its productive life) and the well site and access road are reclaimed, there will be no damages to the surface over and above reasonable use.

As evidenced by the attached Affidavit of Donal Key, CQ has attempted to negotiate in good faith with the Redds to secure access to and for the Well but, to date, those negotiations have failed. The Redds refuse to provide even a counter offer to CQ for consideration. It is for these reasons that CQ seeks access via the bonding procedure set forth in Utah Code Ann. §53C-2-409(3)(c).

By virtue of Patent No. 17805 dated December 23, 1957 and recorded on January 2, 1958 in Book 208, Page 83, San Juan County Records, the State of Utah conveyed the surface of the captioned lands, among others, to the Redds' predecessor in title. However, in said Patent, the State of Utah expressly reserved all coal and other minerals in said lands and, "to it, or persons authorized by it," the right to prospect for, mine and remove coal and other minerals from the same. The State leased the reserved oil, gas and hydrocarbons to CQ under the terms of Lease ML-47966. As provided in the Patent and in Utah Code Ann. §53C-2-401(1)(c), the Redds (through the original Patentee) acquired their rights:

subject to the conditions and limitations prescribed by law providing for the state and any person authorized by it to:

- (a) prospect or mine;
 - (b) remove the deposits; and
 - (c) occupy and use as much of the surface of the land as may be required for any purposes reasonably incident to the mining and removal of the deposits.
-

Additionally, Utah Code Ann. §53C-2-409(2), in furtherance of those cited provisions, provides:

- (a) A mineral lessee, subject to conditions required by the director [of TLA], has the right at all times to enter upon the leasehold for prospecting, exploring, developing, and producing minerals and shall have reasonable use of the surface.
- (b) The lessee may not injure damage or destroy the improvements of the surface owner or lessee.
- (c) The lessee is liable to the surface owner or lessee for all damages to the surface of the lands and improvements, except for reasonable use.

Drilling operations upon the captioned lands clearly constitute "exploring," "developing" and potentially "producing" those lands, and are authorized by the terms of the captioned lease.

As you are further aware, Utah Code Ann. §53C-2-409(3) provides:

Any minerals lessee may occupy as much of the surface of the leased lands as may be required for all purposes reasonably incident to the exercise of the lessee's rights under the lease by:

- (a) securing written consent or waiver of the surface owner or lessee;
 - (b) payment for the damage to the surface of the land and improvements to the surface owner or lessee where this agreement as to the amount of the damage; or
 - (c) upon execution of a good and sufficient bond to the director [of TLA] for the use and benefit for the surface owner of lessee of the land to secure the payment of damages as may be determined and fixed by agreement or in an action brought upon the bond or undertaking in a court of competent jurisdiction against the principal and sureties of the bond. The bond shall be in the form and in the amount prescribed by the director [of TLA] and shall be filed with the administration [TLA].
-

Utah School and Institutional
Trust Lands Administration
November 5, 2007
Page 4


As outlined above, CQ has not been able to reach agreement with the Redds and therefore is requesting approval of a bond to allow access to these lands.

CQ believes there will be no damage to the Redds' surface over and above reasonable use. Nevertheless, under separate cover, CQ will be transmitting a bond in the form of a Certificate of Deposit in favor of TLA, for the benefit of the Redds, in the amount of \$10,000 to cover any potential damages. CQ asks your immediate approval of this bond and for written authorization for entry of the captioned lands for the activities first outlined above. Time is of the essence as drilling needs to be commenced before winter weather prohibits access and to meet contractual rig obligations.

Your cooperation in this matter is greatly appreciated. Should you or your counsel, or Mr. Mitchell, have any further questions, please do not hesitate to contact me at the letterhead address and phone number.

Very truly yours,

CROWNQUEST OPERATING, LLC



M. Craig Clark
Land Manager

Enclosures

cc: Frederick M. MacDonald, Esq.
Lemuel and Julia Redd (via certified mail)

FAX/EMAIL COVER

CrownQuest Operating, LLC
P. O. Box 2221
Farmington, NM 87499-2221
(505) 325-5750
(505) 326-6814 Fax

TO: Brad Hill **FROM:** Donal Key
COMPANY: Utah Oil & Gas Division **DATE:** January 3, 2008
FAX: 801-359-3940 **PHONE:** 505-325-5750
NUMBER OF PAGES: 5
RE: Explorer State 1-16 Surface Permit
MESSAGE: Please call if you do not receive full transmission.

Staci Baysinger
Financial Manager Div VI
Crownquest Operating, LLC

RECEIVED

JAN 03 2008

DIV. 01: 01, 02, 03, 04, 05, 06, 07, 08, 09, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

SAN JUAN COUNTY CORPORATION Tax Roll Master Record

January 3, 2008

1:31:17PM

Parcel: 34S25E160000	Entry: 099983
Name: MCKENNIS GREG	
c/o Name:	Properly Address:
Address 1: 2170-240 ROAD	
Address 2:	
City State Zip: GLENWOOD SPRINGS CO 81601-0000	Acres: 640.00
Status: Active	Year: 2008
District: 001 COUNTY OUTSIDE	0.000000

Owners	Interest	Entry	Comment
MCKENNIS GREG		099983	(0884/0227)

Property Information	2008 Values & Taxes				2007 Values & Taxes		
	Units/Acres	Market	Taxable	Taxes	Market	Taxable	Taxes
LG01 LAND GREENBELT	640.00	252,790	17,545	0.00	252,790	17,545	232.96
Totals:	640.00	252,790	17,545	0.00	252,790	17,545	232.96

Greenbelt Information		Zone: 001 SAN JUAN	Acres	Market Value	Taxable Value
DT3	DRY TILLABLE III		258.80	129,400	12,940
DT4	DRY TILLABLE IV		84.80	33,920	1,275
G22	GRAZING II		11.00	3,850	190
G23	GRAZING III		285.40	85,620	3,140
Greenbelt Totals			640.00	252,790	17,545

**** SPECIAL NOTE ****
 Tax Rates for 2008 have NOT been set or approved.
 Any taxes levied shown on this printout for the year
 2008 are subject to change!

2008 Taxes:	0.00	2007 Taxes:	232.96
Special Taxes:	0.00		
Penalty:	0.00		
Abatements: (0.00)		
Payments: (0.00)		
Amount Due:	0.00		

NO BACK TAXES

Legal Description

SEC 16 T34S R25E: ALL (640 AC) 34S25E160000

History

AFFIDAVIT OF SURVIVORSHIP, 11/2/2007, 883/191. QCD FROM MERLENE R. LOVEJOY, 11/2/2007, 883/194. QCD 883/611. QCD 883/755. QCD TO PEARSON CANYON PROPERTIES, LLC 11/18/2007, 883/758. WD FROM PEARSON CANYON PROPERTIES, LLC. 11/30/2007, 884/227.

When recorded, please return to:
Anderson-Oliver Title Insurance Agency Inc.
81 East 100 South
Monticello, Utah 84535

Int. 099943 JK 884 By 227-229
Date: 30-NOV-2007 2:40PM
Fee: \$33.00 Check
Filed By: JH
LOUISE JONES, Recorder
SAN JUAN COUNTY CORPORATION
For: ANDERSON-OLIVER TITLE

WARRANTY DEED

33-

PEARSON CANYON PROPERTIES, LLC, a Utah limited liability company, GRANTOR, hereby conveys and warrants to GREG MCKENNIS, GRANTEE, whose current address is 2170-240 Road, Glenwood Springs, CO 81601, for the sum of \$10.00 and other good and valuable consideration, all of Grantor's right, title and interest in the following property, such property being situated in San Juan County, State of Utah:

Parcel 1: Township 33 South, Range 25 East, SLM

Section 34: W1/2E1/2, E1/2W1/2, S1/2NW1/4NW1/4, SW1/4NW1/4, W1/2SW1/4
(Parcel No. 33S25E340600)

EXCEPTING all oil, gas, coal and other minerals.

Parcel 2: Township 34 South, Range 25 East, SLM

Section 3: Lots 1, 2, 3 and 4; S1/2N1/2, S1/2 (Parcel No. 34S25E030000)

LESS the following:

- a. The tract conveyed to San Juan County in the Warranty Deed from Ambrose Anderson and Ora H. Anderson dated February 4, 1930 and recorded December 26, 1931 in Book H of Deeds at page 140, described as follows:

A strip of land 100 feet wide being 50 feet on each side of the center line of State Road Commission Survey, said center line being more particularly described as follows:

Beginning at a point 1480 feet North of the Southeast corner of Section 3, Township 34 South, Range 25 East SLM, thence North 73 degrees 55' West 4204 feet to the quarter section line.

- b. The tract conveyed to San Juan County in the Warranty Deed from Wilson Allred and Laura Allred dated June 4, 1930 and recorded December 26, 1931 in Book H of Deeds at page 143, described as follows:

A strip of land 100 feet wide, being 50 feet on each side of the center line of the State Road Commission Survey, said center line being more particularly described as follows:

Anderson-Oliver Title Ins.
Order # 5692

Beginning at a point 362 feet North of the West quarter corner of Section 3, Township 34 South, Range 25 East, SLBM, thence South 73 degrees 55' East 1307 feet to the quarter section line.

c. The tract excepted from the conveyed description in the Warranty Deed from Shirley O. Thompson and Lottie B. Thompson to Lemuel Hardison Redd IV dated February 15, 1974 and recorded March 1, 1974 in Book 518 at page 396, Entry No. Z-11234, which excepted tract is described as follows:

Beginning at the West quarter corner of Section 3, Township 34 South, Range 25 East, SLM; and running thence North 0 degrees 02' East 262.9 feet along the West boundary of said Section 3, thence South 73 degrees 55' East 1980.0 feet along the Southern boundary of U.S. Highway No. 666 right of way, thence South 0 degrees 02' West 686.9 feet, thence North 73 degrees 55' West 1980.0 feet to the West boundary of said Section 3, thence North 0 degrees 02' East 424.0 feet to the point of beginning.

EXCEPTING all oil, gas, coal and other minerals.

Parcel 3: Township 34 South, Range 25 East, SLM
Section 10; E1/2 (Parcel No. 34S25E100000)

EXCEPTING all oil, gas, coal and other minerals.

ALSO, Beginning at the North quarter corner of this Section 10, and running thence West 192 feet along the North section line; Southeasterly 218.8 feet, more or less, to a point on the North-South center section line which point is 105 feet South of the point of beginning; thence North 105 feet along the North-South center section line to the point of beginning.
(Parcel No. 34S25E100000)

EXCEPTING all oil, gas and other minerals.

Parcel 4: Township 34 South, Range 25 East, SLM
Section 15: NW1/4, NE1/4SW1/4 (Parcel No. 34S25E152400)

EXCEPTING all oil, gas and other minerals.

Parcel 5: Township 34 South, Range 25 East, SLM
Section 16: All (Parcel No. 34S25E160000)

EXCEPTING all coal, oil, gas and other minerals.

6: Township 34 South, Range 25 East, SLM
 Section 28: NW1/4NW1/4 (Parcel No. 34S25E283000)

EXCEPTING all oil, gas and other minerals.

TOGETHER WITH all fences, growing crops, buildings, fixtures and improvements thereon and all rights-of-way, easements, rents, issues, profits, income, tenements, hereditaments, privileges and appurtenances thereunto now or hereafter used or enjoyed with said property, or any part thereof.

SUBJECT TO all covenants, conditions, easements, rights-of-way, reservations and restrictions now of record or visible by inspection.

EXCEPTING AND RESERVING UNTO GRANTOR all water rights appurtenant to said property.

WITNESS the hand of Grantor this 30th day of November, 2007.

Pearson Canyon Properties, LLC
 a Utah limited liability company

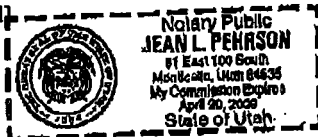
By: Lemuel Hardison Redd IV
 Lemuel Hardison Redd IV, Manager

By: Julia Davidson Redd
 Julia Davidson Redd, Manager

STATE OF UTAH)
 : ss.
 COUNTY OF SAN JUAN)

The foregoing instrument was acknowledged before me on November 30, 2007, by Lemuel Hardison Redd IV and Julia Davidson Redd, in their capacities as managers of Pearson Canyon Properties, LLC, a Utah limited liability company.

[seal]



Juan L. Peterson
 Notary Public
 Residing at Monticello, Utah

Ent 099923 Bk 0884 Pg 0229

THE LAW OFFICES OF RALPH A. CANTAFIO, P.C.

The Chieftain Building, 345 Lincoln Avenue, Suite 202
P. O. Box 774567, Steamboat Springs, Colorado 80477-4567
Websites: www.cantafiola.com and www.cantafiola.com/oilandgas.com
E-mail: info@cantafiola.com
(970) 879-4567 Fax (970) 879-4511

Ralph A. Cantafio, P.C.
Also licensed in North Carolina, Pennsylvania, Utah and Wyoming
David M. Waite, P.C.
Mark J. Fischer, Esq.
Reed F. Morris, P.C.
Jay Cranmer, P.C.

Richard L. Eddington, Esq., Of Counsel
Also licensed in Texas
Janne G. Siegel, Esq., Of Counsel

January 9, 2008

CrownQuest Operating, LLC
Attn: M. Craig Clark
303 Veterans Airpark Lane, Suite 5100
Midland, TX 79705

Re: Revised Surface Use Agreement
Explorer State #1-16
Section 16, T34S, R25E
San Juan County, Utah

Dear Mr. Clark:

Please find the revised Surface use agreement enclosed for your review and consideration. On behalf of Mr. McKennis, our office requests that you agree to the terms of the enclosed Surface Use Agreement to move forward with your operations on Mr. McKennis's ranch.

Please review the enclosed agreement and contact me directly at (303) 818-3470 or via email at rosanna@cantafiola.com, at your earliest convenience to finalize the terms of the agreement. Please also be aware that a copy of this agreement has been forwarded to Brad Hill of the Utah Division of Oil, Gas and Mining to assure him that we are in the process of negotiating a surface use agreement for the above property.

Sincerely,

Rosanna Slingerland
Oil and Gas Consultant
FOR THE FIRM

Encl.

Xc: Greg McKennis
Brad Hill

The Law Offices of Ralph A. Cantafio, P.C. (On file)

RECEIVED

JAN 14 2008

DIV. OF OIL, GAS & MINING

SURFACE USE AND DAMAGE AGREEMENT

This Agreement is made and entered into between Greg McKennis, of 1270 Road 240, Glenwood Springs, CO 81601 ("Greg McKennis") and CrownQuest Operations, LLC, of 303 Veterans Lake, Suite 5100, Midland, TX 79705 ("CrownQuest") on this _____ day of _____, 2008.

1. CrownQuest will pay Greg McKennis \$3,500.00 per acre as surface damages caused by drilling operations. Additionally, CrownQuest will pay an annual rental of \$2,500.00 per year for each well site location, either existing or new. This annual payment shall be made on the anniversary date of the commencement of drilling of each well in each and every year until the well has been plugged and abandoned and the location of any roads and pipeline constructed in connection therewith have been reclaimed as provided herein. CrownQuest will pay Wilson Mesa Ranch \$1,500.00 for the construction of a tank battery, which shall be paid to Greg McKennis prior to the construction of the tank battery.
2. CrownQuest will pay Greg McKennis \$21.50 per rod for any new roads built to the well location. CrownQuest will pay Greg McKennis an access fee of \$10.00 per rod for the use of any existing roads to the well site. CrownQuest will pay Wilson Mesa Ranch an annual access rental of \$5.00 per rod, for the use of roads on property, commencing one year from the date above. In addition to all compensation for the use of roads, CrownQuest will maintain any roads used for its operations at its sole expense.
3. In the event of production, CrownQuest shall fence the production facilities. In addition, it will install a cattle guard and locked gate at the entrance of the lands from the county road. Any pit will be enclosed with a barbed wire or similar fence sufficient to turn livestock. Any pit shall also be lined with an industry standard grade plastic prior to use by CrownQuest, its contractors, or subcontractors.
4. CrownQuest will pay \$21.50 per rod for any buried pipeline laid for the use of transporting water or gathering gas with a diameter no greater than 8 inches that is not within the road right of way. All pipelines will be buried a minimum of 3 feet below the surface and CrownQuest shall promptly backfill, repack and reseed the surface of any land disturbed for the purpose of laying pipeline.
5. The right to drill a water well on the property is strictly prohibited. CrownQuest is to obtain all necessary water for its operation from the City of Monticello, Utan (SW ¼, Section 30, T33S, R24E).
6. CrownQuest agrees, upon completion of any operation, to clean up the premises and remove all debris and equipment needed for the operation of producing wells, which shall be removed within six (6) months after a well permanently ceases to produce.
7. All buried pipelines and pits used in connection with drilling operations shall be constructed in such a manner that when the drilling operations are complete, the topsoil can be restored to the surface. All surface restoration shall be accomplished to the satisfaction of Greg McKennis.
8. CrownQuest shall make a reasonable effort to insure that no hunting will be conducted on the lands by CrownQuest personnel or its agents, contractors and subcontractors. CrownQuest shall

be responsible for the actions of its personnel, contractors and subcontractors on the property at all times.

9. It is agreed that CrownQuest shall follow all terms of the "Explorer State #1-16 Thirteen Point Surface Use Plan", hereinafter referred to as "Surface Use Plan" attached hereto as Exhibit "A". Any variance CrownQuest makes from the Surface Use Plan shall be agreed to by Greg McKennis, in writing, prior to any variance from the Surface Use Plan.
10. To the maximum extent permitted by law, CrownQuest will indemnify, defend and hold Greg McKennis, and his officers, directors, employees, agents, successors and assigns harmless from any and all claims, liabilities, demands, suits, losses, damages and costs (including, without limitation, any attorney fees) which may arise out of or be related to Operator's activities on the property (including, without limitation, any claims that Operator's operations hereunder are either illegal, unauthorized, or constitute an improper interference with any parties' rights, or have damaged the lands or operations of adjacent landowners, and including any claims based on alleged concurrent negligence of Greg McKennis).
11. Greg McKennis makes no warranty of title or otherwise in entering into this Agreement.
12. If CrownQuest defaults under this Agreement, Operator shall pay all costs and expenses, including attorney's fees, occurred by Greg McKennis in enforcing this Agreement.
13. CrownQuest shall conduct its operations and activities in accordance with existing local, state and federal laws, rules and regulations.
14. This Agreement shall not be assigned by CrownQuest to any other entity either in whole or in part, unless Greg McKennis consents in writing to such assignment.
15. This Agreement is binding upon the successors and assigns of the parties.

DATED this _____ day of _____, 2008.

Greg McKennis

Subscribed and sworn to and acknowledged before me this _____ day of _____, 2008.

NOTARY PUBLIC

My Commission Expires:

From: "Craig Clark" <cclark@crowquest.com>
To: "Brad Hill" <bradhill@utah.gov>
Date: 1/17/2008 2:46:43 PM
Subject: Explorer State

Brad

I just spoke with the attorney for Mr. McKennis and it looks like we are not going to be able to work out a surface use agreement. There are a couple of minor points that could most likely be worked through however there is one issue that is a complete deal breaker for both sides. The attorney says she cannot advise her client to sign the agreement without the provision and we cannot enter into the agreement with the provision.

Please let me know what we need to do to proceed.

Thanks

Craig Clark

CC: "Frederick M. MacDonald" <FMacDonald@bwenergylaw.com>

THE LAW OFFICES OF RALPH A. CANTAFIO, P.C.

The Chieftain Building, 345 Lincoln Avenue, Suite 202
P. O. Box 774567, Steamboat Springs, Colorado 80477-4567
Websites: www.cantafiolaw.com and www.cantafiolawoilandgas.com
E-mail: info@cantafiolaw.com
(970) 879-4567 Fax (970) 879-4511

Ralph A. Cantafio, P.C.
Also licensed in North Carolina, Pennsylvania, Utah and Wyoming
David M. Waite, P.C.
Mark J. Fischer, Esq.
Reed F. Morris, P.C.
Jay Cranmer, P.C.

Richard L. Eddington, Esq., Of Counsel
Also licensed in Texas
Janne G. Siegel, Esq., Of Counsel

January 17, 2008

Division of Oil, Gas and Mining
Attn: Brad Hill
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801


Re: Explorer State #1-16
Section 16, T34S, R25E
San Juan County, Utah

Dear Mr. Hill:

As we discussed on the telephone yesterday, our office, on behalf of Greg McKennis, is currently in the process of negotiating a surface use agreement with CrownQuest, for that above property. We ask that you please allow us time to negotiate the terms of a surface use agreement with CrownQuest prior to approving their APD based on a bond that was approved while the property was owned by a prior owner.

We ask that you also consider this letter notification of our representation of Mr. McKennis and ask that you include us in any communications regarding this matter. Thank you for your time and please feel free to contact me directly at (303) 818-3470 with any questions or concerns regarding this matter.

Sincerely,


Rosanna Slingerland
FOR THE FIRM
Oil and Gas Consultant/Legal Asst.

RECEIVED

JAN 22 2008

DIV. OF OIL, GAS & MINING

XC: Greg McKennis
CrownQuest Operating, LLC
The Law Offices of Ralph A. Cantafio, P.C. (On file)

9:45 1-03-08

Called GREG McKENNIS
(970) 471-1735

HE SAID HE HAD DEED TO
PROPERTY AS OF DEC 1.
HIS LAWYER IS REWORKING
A S.A. SENT TO HIM
BY CROWNQUEST. HE SAID
THE BIG ISSUE RIGHT NOW
IS DISPOSITION OF TREES TO
BE REMOVED BY CONSTRUCTION.

BA

01-08-08 1:30

Called GREG McKENNIS
(970) 471-1735

HAS SENT PROPOSED AGREEMENT
TO HIS LAWYER FOR EVALUATION
AND EXPECTS TO HAVE IT BACK
TO CROWNQUEST WITHIN A
FEW DAYS.

BA

01-16-08 2:50

TALKED TO CRAIG CLARK
@ CROWNQUEST. THEY
HAVE RECEIVED A NEW
PROPOSED AGREEMENT FROM
MR. MCKENNIS. THEY ARE NOT
WILLING TO SIGN IT WITH
THE PROPOSED CHANGES. I
TOLD HIM I WOULD CALL
MR. MCKENNIS AND LET
HIM KNOW I AM CLOSE TO
SIGNING WITHOUT A S.O.A.

PH

1-16-08

2:50

I CALLED MR MCKENNIS
HE FEELS THAT
CROWN QUEST IS TRYING
TO INTIMIDATE HIM, HE
ASKED THAT CROWN QUEST
RESPOND TO HIS PROPOSED
AGREEMENT. I TOLD HIM
I WOULD CALL CRAIG CLARK
AND PASS THIS ON.

BC

1-16-08

3:00

I CALLED CRAIG CLARK
AND TOLD HIM MR
MCKENNIS WOULD LIKE A
WRITTEN RESPONSE. MR.
CLARK SAID HE WOULD.

BA

1-16

3:30

TALKED TO ROSANNA
SLINGERLAND WHO REPRESENTS
MR MCKENNIS. I TOLD HER
CROWNQUEST WOULD BE
RESPONDING TO PROPOSED SOA.
I TOLD HER I WAS NEAR
HAVING TO SIGN THE APD
AND THAT IT WOULD BE
IN MR. MCKENNIS BEST INTEREST
TO NEGOTIATE AN AGREEMENT.

BH

01-17-08

400

Called Mr. McKennis
regarding E-mail from
Craig Clark. Mr. McKennis
said he hadn't spoken to
his lawyer today about
CrownQuests response to
the proposed S.O.A. I
told Mr. McKennis that
if they are at an impasse
I will sign the APD.
I told him I would
call on Monday

BA

12:20

01-20-08

Mr. McKennis left a
message on my phone.
He said that they still
have a hang up on
the S.O.A. regarding
liability issues.

BA

10:10

01-22-08

Talked to Mr. McKennis.
CrownQuest won't sign because
he wants them to indemnify him
against damages done by C.Q.
His lawyer will talk to them today
and will call me. BA

2:00

01-23-08

RALPH CANTAFIO ATTORNEY
FOR GREG MCKENNIS. I TOLD
MR. CANTAFIO THAT DOGM
WOULD BE SIGNING THE APD
HE SAID THAT THEY WERE STILL
TRYING TO DISCUSS THE SOA.
WITH CROWNQUEST AND ASKED IF
WE COULD WAIT A FEW MORE
DAYS. I TOLD HIM THAT THIS IS
WHAT I HAVE BEEN DOING FOR
THE PAST WEEK AND HAD SEEN
NO PROGRESS. AND THAT WE WERE
PLANNING TO MOVE AHEAD.

BJA



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil Gas and Mining

JOHN R. BAZA
Division Director

January 23, 2008

CrownQuest Operating, LLC
P O Box 2221
Farmington, NM 87499

Re: Explorer State 1-16 Well, 1300' FNL, 1500' FEL, NW NE, Sec. 16, T. 34 South,
R. 25 East, San Juan County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

Appropriate information has been submitted to DOGM and administrative approval of the requested exception location is hereby granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-037-31870.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

cc: San Juan County Assessor
SITLA



Operator: CrownQuest Operating, LLC
Well Name & Number Explorer State 1-16
API Number: 43-037-31870
Lease: ML 47966

Location: NW NE Sec. 16 T. 34 South R. 25 East

Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. Notification Requirements

The operator is required to notify the Division of Oil, Gas and Mining of the following action during drilling of this well:

- 24 hours prior to cementing or testing casing – contact Dan Jarvis
- 24 hours prior to testing blowout prevention equipment – contact Dan Jarvis
- 24 hours prior to spudding the well – contact Carol Daniels
- Within 24 hours of any emergency changes made to the approved drilling program – contact Dustin Doucet
- Prior to commencing operations to plug and abandon the well – contact Dan Jarvis

The operator is required to get approval from the Division of Oil, Gas and Mining before performing any of the following actions during the drilling of this well:

- Plugging and abandonment or significant plug back of this well – contact Dustin Doucet
- Any changes to the approved drilling plan – contact Dustin Doucet

The following are Division of Oil, Gas and Mining contacts and their telephone numbers (please leave a voice mail message if the person is not available to take the call):

- Dan Jarvis at: (801) 538-5338 office (801) 942-0873 home
- Carol Daniels at: (801) 538-5284 office
- Dustin Doucet at: (801) 538-5281 office (801) 733-0983 home

3. Reporting Requirements

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. Compliance with the State of Utah Antiquities Act forbids disturbance of archeological, historical, or paleontological remains. Should archeological, historical or paleontological remains be encountered during your operations, you are required to immediately suspend all operations and immediately inform the Trust Lands Administration and the Division of State History of the discovery of such remains.
5. Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis. (Copy Attached)
6. The Application for Permit to Drill has been forwarded to the Resource Development Coordinating Committee for review of this action. The operator will be required to comply with any applicable recommendations resulting from this review.
7. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.
8. In accordance with Rule R649-3-34(9), the Division of Oil, Gas and Mining shall establish minimum wellsite restoration requirements for this well.
9. Surface casing shall be cemented to the surface.

CONFIDENTIAL

DIVISION OF OIL, GAS AND MINING

SPUDDING INFORMATION

Name of Company: CROWNQUEST OPERATING, LLC

Well Name: EXPLORER ST 1-16

Api No: 43-037-31870 Lease Type: STATE-FEE SURF

Section 16 Township 34S Range 25E County SAN JUAN

Drilling Contractor BEARCAT RIG # 2

SPUDDED:

Date 03/04/08

Time _____

How DRY

Drilling will Commence: _____

Reported by DAVID OVERGARDEN

Telephone # (406) 480-3357

Date 03/05//08 Signed CHD

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 6

ENTITY ACTION FORM

Operator: CrownQuest Operating LLC Operator Account Number: N 2685
Address: P.O. Box 2221
city Farmington
state NM zip 87499 Phone Number: (505) 325-5750

Well 1

API Number	Well Name		QQ	Sec	Twp	Rng	County
4303731870	Explorer State 1-16		NWNE	16	34S	25E	San Juan
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
A	99999	16726	3/6/2008		3/17/08		
Comments: <u>DSCR</u> CONFIDENTIAL							

Well 2

API Number	Well Name		QQ	Sec	Twp	Rng	County
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
Comments:							

Well 3

API Number	Well Name		QQ	Sec	Twp	Rng	County
Action Code	Current Entity Number	New Entity Number	Spud Date		Entity Assignment Effective Date		
Comments:							

ACTION CODES:

- A - Establish new entity for new well (single well only)
- B - Add new well to existing entity (group or unit well)
- C - Re-assign well from one existing entity to another existing entity
- D - Re-assign well from one existing entity to a new entity
- E - Other (Explain in 'comments' section)

Staci Baysinger

Name (Please Print)

Staci Baysinger

Signature

Financial Manager

3/7/2008

Title

Date

RECEIVED

MAR 10 2008

DIV. OF OIL, GAS & MINING

PROPRIETARY-CONFIDENTIAL

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML 47966
2. NAME OF OPERATOR: CrownQuest Operating, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: P. O. Box 2221 CITY Farmington STATE NM ZIP 87499		7. UNIT or CA AGREEMENT NAME:
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1300' FNL & 1500' FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 16 34S 25E 02E		8. WELL NAME and NUMBER: Explorer State 1-16
PHONE NUMBER: (505) 325-5750		9. API NUMBER: 4303731870
COUNTY: San Juan		10. FIELD AND POOL, OR WILDCAT: Wildcat
STATE: UTAH		

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: 3/28/2008	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: Drilling Operations
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

CrownQuest Operating, LLC has performed the drilling operations on the attached operations report for the time period of March 3 - 28, 2008.

PROPRIETARY CONFIDENTIAL

NAME (PLEASE PRINT) Luke Dunn	TITLE Engineer
SIGNATURE 	DATE 3/31/2008

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DIV. OF OIL, GAS & MINING

Explorer State 1-16
San Juan County, UT - API # 43-037-31870
CrownQuest Operating, LLC

3/3/08

Rig moving to the Explorer State 1-16.

3/4/2008

MIRU

3/5/08

Continue MIRU.

3/6/08

Depth: 53' Spud 17-1/2" rat & mouse hole. Drilled to 53' in 3 rotating hrs.

3/7/2008

Depth: 152'. Drlg 17-1/2" conductor hole from 53-152'. Cmt 13-3/8" conductor w/250 sx CI "G" additives. SI w/45# - WOC. Back off 13-3/8" landing jt, cut off csg, weld on held. Cooling down 13-3/8" head to test @ report time.

3/8/2008

Depth: 458'. NU Hy-Drill & prs test to 600#-ok. PU 12-1/4" bit, shock sub & RIH w/8" collars to cmt @ 110'. Drlg cmt from 110'-147'. POOH & change bits. RIH w/new bit to drill new hole. Drlg from 147'-458'. Survey: 1° @ 139'.

3/9/08

Depth: 1046'. Drilled 588' in 20.75 rotating hrs.

3/10/08

Depth: 1495'. Circ btms up @ 1425', TOOH. RIH w/bit #3 RR, tag up @ 1228', ream to TD @ 1425'. Lost circ @ 1495', lost 50 bbls. Mixed 18% LCM .8#/gal 45 vis pill, pump @ 76 STK, prs from 0-225# & fell to 175#. Mix 2nd pill @ 20-25% LCM w/45 vis. Svy 1/2° @ 1006'.

3/11/08

Depth: 1,541'. Began pumping pill #2, drill string plugged w/LCM. CO, fill hole w/75 bbls. TIH, break circ after RIH 8" DC's, 6" DC's, & 1/2 of DP, tagged @ 1417', lost circ. Pump LCM pill, regain circ. Lost again @ 1503', dry-drilled 4', pump LCM pill, regain circ.

3/12/08

Depth: 1804'. Drilled from 1541'-1804' in 23.5 rotating hrs.

3/13/08

Depth: 1962'. Surf csg TD @ 1962'. Set w/46 jts 9-5/8" 36# J55 STC csg @ 1954.15' (7' off btm). Cmt w/800 sx CI "A" + additives. Rec'd 25 bbls cmt @ pit, lost rtms 3 times & regained. WOC. Cmt fell, RIH w/6 jts 1" pipe, tag 6' in on 4th jt, cmt w/120 sx Neat.

3/14/08

Depth: 1962'. Break off head & ND Hydril. Cut off 9-5/8" csg, weld on 9-5/8" head. Test weld to 1250#, tested ok. NU BOP & test to 3000# for 30 minutes, tested ok.

3/15/08

Depth: 2,265'. DO cmt from 1905'-1975'. Drill 1962'-2103' & lost full returns. Pull into csg & mix 50 & 75 bbl vis pills, regain circ a few bbls into 2nd pill. Circ w/LC mud. Drill to 2265' w/no LC & no gas on the shaker. Svy: 3/4° @ 1920'.

3/16/08

Depth: 3219'. Hole seeping @ 2954', lost volume from reserve pit but didn't see returns fall off. Drilled thru steel pit @ 2800' & lost no noticeable vol. Testing seepage, alot of LCM over shaker, unknown if related to hole condition or liner leak. Svy: 1° @ 2408', 3/4° @ 2900'.

3/17/08

Depth: 3722'. Circ thru pit, found no seepage. Drilled to 3616', had 2' drop in drilling, pipe sticking. Mud up to 50 viscosity & worked thru tight spots & resumed drlg to 3616' w/ mud viscosity @ 45. Survey: 1/2° @ 3400'.

3/18/08

Depth: 4181'. Drilled 3722'-4181' in 23 rotating hrs. Survey: 1/2° @ 3920'.

3/19/08

Depth: 4338'. Lost circ @ 4256', TOOH to shoe, repair rotary chain, finish TOOH for bit #5. TIH to shoe, BHA + 20 stds, condition hole, break circ, partial to full returns. Lost total 300 bbls during work on #1 pump. TIH @ 4256' & continue drilling.

3/20/08

Depth: 4765'. Drilled from 4338' - 4765'. Survey: 1-1/4° @ 4393'.

3/21/08

Depth: 5145'. Drilled 4765' - 5145' in 22.45 rotating hrs. Survey: 1° @ 4975'. One bit plugged @ report time.

3/22/08

Depth: 5230'. Lost circ @ 5207', mix & pump LCM pills, break circ, 2nd just plugged, full returns. TOH, SLM 2 jets plugged - 1 jet plugged with LCM, other w/plastic (unknown nature). RIH, break circ 2 times, full returns. Resume drlg.

3/23/08

Depth: 5475'. Drilled 5230'-5475' in 23 rotating hrs w/o problems.

3/24/08

Depth: 5755'. Drill from 5475'-5755' in 22.5 rotating hrs. Survey: 1° @ 5487'.

3/25/08

Depth: 5905'. Reached TD @ 5905' @ 2:45 pm 3/24/08. POOH to log. RU Schlumberger. Ran Triple Combo, beginning FMI-Spectro Gamma @ report time.

3/26/08

Depth: 5905'. Schlumberger logged Triple Combo - FMI-Spectral Gamma-MDT. RD Schlumberger. Recovered 49 out of 50 possible rotary sidewall cores. Notified Duddick Doucet with the DOGM that we are logging & will run prod csg in the next 24-36 hrs.

3/27/08

Depth: 5905'. RIH to circ to run csg, unable to break circ. Mix mud & break circ. RIH w/10 stds, break circ, finish RIH to TD, circ hole. POOH to run csg, broke circ @ DC's inside 9-5/8" laying down.

3/28/08

Depth: 5905'. RIH w/csg - 5 1/2" 17# P110 LTC Rge III 8rd, landed @ 5906.5'. Ran shoe, 1 jt, FC, 150 jts. PU landing jt, landed @ 5909.5'. Break Circ every 20 Jts. Good Circulation during circ and running in hole. RU Superior & pump 40 bbls of dust flush. Pump 300 sks 50/50 poz: 8% gel + 10% gypsum 0.5 #/sk flake (12.5 ppg, 1.87 cf/sk); 200 sks 50/50 poz + 8% gel + 10% gypsum + 0.5 #/sk flake + 2% LP2 (12.5 ppg; 1.9 cf/sk), and 700 sks 35/65 poz + 3% salt + 2% gel 1% Super Sil + 0.2% CR1; 0.2% Super FL300 + 2% LP2 (14.9 ppg, 1.17 cf/sk. Reciprocate 30' while cementing. Displace w/ 138 bbl water at 6 bpm slowing to 2 bpm and 1100 psi last 2 bbls. Bumped Plug to 2100 PSI - Held OK. Est Cmt Top 1500'. Released rig 10:00 AM 3/28/08.

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML 47966
2. NAME OF OPERATOR: CrownQuest Operating, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: P. O. Box 2221 CITY Farmington STATE NM ZIP 87499		7. UNIT or CA AGREEMENT NAME:
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1300' FNL & 1500' FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 16 34S 02E		8. WELL NAME and NUMBER: Explorer State 1-16
PHONE NUMBER: (505) 325-5750		9. API NUMBER: 4303731870
		10. FIELD AND POOL, OR WILDCAT: Wildcat
		COUNTY: San Juan
		STATE: UTAH

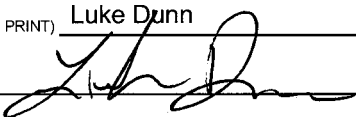
11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: <u>Waiting on</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	<u>Completion Rig</u>

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

CrownQuest Operating, LLC is waiting on completion rig and pipeline during the time period of 3/29/2008 through 4/17/2008.

~~PROPRIETARY-CONFIDENTIAL~~

NAME (PLEASE PRINT) <u>Luke Dunn</u>	TITLE <u>Engineer</u>
SIGNATURE 	DATE <u>4/17/2008</u>

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DIV. OF OIL, GAS & MINING

Conversation Documentation

Operator and Facility:

Crownquest Operating, LLC
Explorer St 1-16
NWNE Sec 16, T 34 S. R 25 E.
San Juan County, Utah
API: 43-037-31870

Date:

April 17, 2008

Participants:

Bart Kettle-Division of Oil, Gas and Mining (DOGM), and Greg McKennis-Surface Owner

Reason for Conversation:

Develop minimum surface reclamation standards

Topic of Conversation:

Surface owners request as they pertain to management of well pad and ultimately reclamation of disturbance.

Highlights of Conversation:

Mr. McKennis entered the conversation upset at DOGM for "allowing these guys on" his property, and for items he perceived as damaging as a result. Mr. McKennis was upset his gate has been buried, that Crownquest Operating had hauled in rock material on the access road and well pad, topsoil was not being properly protected and had been improperly stripped, 16 mil liner material remained around the well head, fluids in the reserve pit might be toxic and what he termed as an "EPA site" where portions of drilling mud additives such as bar, lime, and rice hulls had been spilled.

DOGM agreed a gate should be installed on the access road at the junction with the county road and the topsoil pile should be re seeded while in storage. DOGM informed Mr. McKennis as a regulatory agency within the State of Utah they had authority over liner materials, fluids in the reserve pit and spills of drilling mud additives. As such DOGM would manage these issue according to existing regulation and procedures.

DOGM at this time asked Mr. McKennis for his recommendations as they pertain to final reclamation of the site. Mr. McKennis remaining irritated with DOGM and Crownquest Operating LLC, stated he did not want these guys here, and wished to have the site returned to it's previous state. Therefore DOGM is recommending the following reclamation standards:

Procedures found in the Application for Permit to Drill's Thirteen Point Surface Use Plan shall be followed including:

- 1.) All road surfaces will be removed prior to the rehabilitation of roads.
- 2.) Reclaimed roads will have the berms and cuts reduced and will be closed to vehicle use.
- 3.) The stockpiled topsoil will be evenly distributed of the disturbed area.
- 4.) In the event the well is abandoned an abandonment marker will be place below ground level.

In addition the following reclamation measures shall be implemented:

- 1.) Large rock material hauled onto the access road and well pad shall be removed down to 2" minus material
- 2.) Surface area of the access road and well pad shall be ripped to a depth of 18" prior to spreading topsoil.
- 3.) Contour of the well pad shall be restored to within 12" of the original grade.
- 4.) Flow lines and associated equipment shall be removed.
- 5.) Disturbed areas shall be reseeded with the following mixture between the months of August and February in the first year following abandonment.
 - a. 2 lbs/acre of Ranger or Vernal varieties of Alfalfa
 - b. 3 lbs/acre of Delar Small Burnet
 - c. 1 lbs/acre of Yellow Sweetclover
 - d. 0.5 lbs/acre Western Yarrow
 - e. 0.5 lbs/acre Blue Flax
 - f. 1 lbs/acre Rocky Mountain Bee Plant
 - g. 2 lbs/acre Blue Grama grass
 - h. 1 lbs/acre Crested Wheatgrass
 - i. 1 lbs/acre Thickspike or Western Wheatgrass
 - j. Or a seed mixture approved by DOGM at the time of reclamation.

Signature



Date

04/23/08

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DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

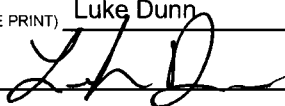
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML 47966
2. NAME OF OPERATOR: CrownQuest Operating, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: P.O. Box 2221 CITY Farmington STATE NM ZIP 87499		7. UNIT or CA AGREEMENT NAME:
PHONE NUMBER: (505) 325-5750		8. WELL NAME and NUMBER: Explorer State 1-16
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1300' FNL & 1500' FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 16 34S 25E 02E		9. API NUMBER: 4303731870
		10. FIELD AND POOL, OR WILDCAT: Wildcat
		COUNTY: San Juan
		STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: 5/7/08	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: Operations Reports
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

CrownQuest Operating, LLC has performed the the following operations for the time period of April 18, 2008 through May 7, 2008.

NAME (PLEASE PRINT) Luke Dunn	TITLE Engineer
SIGNATURE 	DATE 5/8/08

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Explorer State 1-6 PROPRIETARY-CONFIDENTIAL
San Juan County, UT – API # 43-037-31870
CrownQuest Operating, LLC

Apr 18, 2008

RU Blue Jet & run 5.5" 17# gauge ring to 5832'. Run CBL from 5832 to 2200' & found overall good bond from TD to 2850'. Top of cement is 2790'. RD MO WL. Wellhead is missing ring gasket.

Apr 30, 2008

Move in rig but couldn't rig up because of wind. NU BOP & shut down for wind.

May 1, 2008

Raise derrick. PU 2.875" tbg & RIH w/ 4.75" bit & SN 1 joint up and tag at 5857' w/ 185 jts. PU swivel and drill cement from 5857' - 5870'. Circulate hole w/ 136 bbls 3% KCl. TOH w/ bit.

May 2, 2008

Finish POH w/ tubing. RU Blue Jet Wireline & perforate 5800' - 5840' w/ 2 spf & 120° phasing. RD WL. RU Stinger isolation tool. Wait on Superior frac equipment.

May 3, 2008

Finish RU frac company. Break down w/ 45 bbls at 15 bpm & get ISIP of 1250 psi. Frac well with 2900 bbls fresh water & 2 mmscf N₂ & 122,000 lbs sand (37,000 lbs resin coated, 45,000 lbs 40/70, & 40,000 lbs 20/40). ISIP 1700, 5 min 1609, 10 min 1580, & 15 min 1564. TLTR 3110 bbls. Shut well in 2 hrs and start flow back.

May 4, 2008

Flow well back.

May 5, 2008

ND frac valve & NU BOP. RIH w/ nc, 1 jnt, SN, & remainder of 2-7/8" tbg. Tag at 5795'. RU swabbing equipment and swab & make 15 swab runs and swab 120 bbls.

May 6, 2008

Crew on location 7AM, Well Dead, start swabbing, made total of 25 swab runs, swabbed total of 273 bbl water, well unloaded @ 3:45 PM, flowing tubing pressure-200 psi, SI well @ 6 PM, made 100 bbl water, SI well, tubing pressure 415 psi, secure location, SDON

May 7, 2008

Crew on location 7AM, Tubing pressure-760 psi, casing pressure-660 psi, blow tubing down, tubing dead, put air on tubing, open back side to blow tank, well unloaded w/ 1700 psi, TIH w/ 6 stands tubing, tag 38' of fill, CO to PBTD, circulate well to blow tank, made 320 bbl water in 9 hrs, still making trace of sand, pull 6 stands, flow well to blow tank up casing overnight.

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STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

AMENDED REPORT ☐ FORM 8
(highlight changes)

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. TYPE OF WELL: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> DRY <input type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: _____
b. TYPE OF WORK: NEW WELL <input checked="" type="checkbox"/> HORIZ. LATS. <input type="checkbox"/> DEEP-EN <input type="checkbox"/> RE-ENTRY <input type="checkbox"/> DIFF. RESVR. <input type="checkbox"/> OTHER _____		6. IF INDIAN, ALLOTTEE OR TRIBE NAME NA
2. NAME OF OPERATOR: CrownQuest Operating, LLC		7. UNIT or CA AGREEMENT NAME NA
3. ADDRESS OF OPERATOR: P.O. Box 2221 CITY Farmington STATE NM ZIP 87499		8. WELL NAME and NUMBER: Explorer State 1-16
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 1300 FNL 1500 FEL AT TOP PRODUCING INTERVAL REPORTED BELOW: same AT TOTAL DEPTH: same		9. API NUMBER: 4303731870
10. FIELD AND POOL, OR WILDCAT Wildcat		11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 16 34S 25E
12. COUNTY San Juan		13. STATE UTAH

14. DATE SPUDDED: 3/6/2008	15. DATE T.D. REACHED: 3/28/2008	16. DATE COMPLETED: 5/30/2008	ABANDONED <input type="checkbox"/> READY TO PRODUCE <input checked="" type="checkbox"/>	17. ELEVATIONS (DF, RKB, RT, GL): 6821 KB
18. TOTAL DEPTH: MD 5,907 TVD 5,907	19. PLUG BACK T.D.: MD 5,870 TVD 5,870	20. IF MULTIPLE COMPLETIONS, HOW MANY? *		21. DEPTH BRIDGE MD PLUG SET: TVD
22. TYPE ELECTRIC AND OTHER MECHANICAL LOGS RUN (Submit copy of each) CBL, GR, SP, Cali, AI, Dphi, Nphi <u>Porosity/Lithology IGR, RIIS, 4TP/FP</u>			23. WAS WELL CORED? NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> (Submit analysis) WAS DST RUN? NO <input checked="" type="checkbox"/> YES <input type="checkbox"/> (Submit report) DIRECTIONAL SURVEY? NO <input checked="" type="checkbox"/> YES <input type="checkbox"/> (Submit copy)	

24. CASING AND LINER RECORD (Report all strings set in well)

HOLE SIZE	SIZE/GRADE	WEIGHT (#/ft.)	TOP (MD)	BOTTOM (MD)	STAGE CEMENTER DEPTH	CEMENT TYPE & NO. OF SACKS	SLURRY VOLUME (BBL)	CEMENT TOP **	AMOUNT PULLED
17 1/2	13 3/8 H-40	48	0	145		G 250	53	Surf	
12 1/4	9 5/8 J-55	36	0	1,954		A 1,000	308		
						G 120	25	Surf	
7 7/8	5 1/2 P-114	17	0	5,907		1,200	313	2790	

25. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
2-7/8	5,794							

26. PRODUCING INTERVALS					27. PERFORATION RECORD				
FORMATION NAME	TOP (MD)	BOTTOM (MD)	TOP (TVD)	BOTTOM (TVD)	INTERVAL (Top/Bot - MD)	SIZE	NO. HOLES	PERFORATION STATUS	
(A) Pennsylvanian	5,800	5,840	5,800	5,840	5,800 5,840	0.32	80	Open <input checked="" type="checkbox"/>	Squeezed <input type="checkbox"/>
(B) Ismay								Open <input type="checkbox"/>	Squeezed <input type="checkbox"/>
(C) Per DKD								Open <input type="checkbox"/>	Squeezed <input type="checkbox"/>
(D)								Open <input type="checkbox"/>	Squeezed <input type="checkbox"/>

28. ACID, FRACTURE, TREATMENT, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND TYPE OF MATERIAL
5800-5840	1000 gal. 15%%, 45,000 lbs 40/70 A 82,000 lbs 20/40 @ 30Q N2

29. ENCLOSED ATTACHMENTS: <input checked="" type="checkbox"/> ELECTRICAL/MECHANICAL LOGS <input type="checkbox"/> SUNDRY NOTICE FOR PLUGGING AND CEMENT VERIFICATION	<input type="checkbox"/> GEOLOGIC REPORT <input checked="" type="checkbox"/> CORE ANALYSIS	<input type="checkbox"/> DST REPORT <input type="checkbox"/> OTHER: _____	<input type="checkbox"/> DIRECTIONAL SURVEY	30. WELL STATUS: Producing
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31. INITIAL PRODUCTION
INTERVAL A (As shown in item #26)

DATE FIRST PRODUCED: 5/30/2008		TEST DATE: 6/1/2008		HOURS TESTED: 24		TEST PRODUCTION RATES: →		OIL – BBL: 0		GAS – MCF: 136		WATER – BBL: 33		PROD. METHOD: Flowing	
CHOKE SIZE: 1/8	TBG. PRESS. 425	CSG. PRESS. 900	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL: 0	GAS – MCF: 136	WATER – BBL: 33	INTERVAL STATUS: Producing					

INTERVAL B (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

INTERVAL C (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

INTERVAL D (As shown in item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

32. DISPOSITION OF GAS (Sold, Used for Fuel, Vented, Etc.)

Sold

33. SUMMARY OF POROUS ZONES (Include Aquifers):

Show all important zones of porosity and contents thereof. Cored intervals and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures and recoveries.

34. FORMATION (Log) MARKERS:

Formation	Top (MD)	Bottom (MD)	Descriptions, Contents, etc.	Name	Top (Measured Depth)
Shinarump	2,594	2,661		Entrada	1,046
Cutler	2,884	4,338		Cutler	2,884
Honaker Trails	4,338	5,128		Honaker Trails	4,338
Ismay	5,596	5,796		Ismay	5,596
Desert Creek	5,846	5,897			

35. ADDITIONAL REMARKS (include plugging procedure)

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records.

NAME (PLEASE PRINT) Luke Dunn

TITLE Engineer

SIGNATURE 

DATE 6/2/2008

This report must be submitted within 30 days of

- completing or plugging a new well
- drilling horizontal laterals from an existing well bore
- recompleting to a different producing formation

- reentering a previously plugged and abandoned well
- significantly deepening an existing well bore below the previous bottom-hole depth
- drilling hydrocarbon exploratory holes, such as core samples and stratigraphic tests

* ITEM 20: Show the number of completions if production is measured separately from two or more formations.

** ITEM 24: Cement Top – Show how reported top(s) of cement were determined (circulated (CIR), calculated (CAL), cement bond log (CBL), temperature survey (TS)).

Send to: Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Phone: 801-538-5340

Fax: 801-359-3940

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JUN 06 2008

ROTARY SIDEWALL CORE ANALYSIS

CROWNQUEST OPERATING, LLC
EXPLORER STATE 16-1
SAN JUAN COUNTY, UTAH

A.P.I. NUMBER : 43-037-31870
FIELD : Wildcat
LOCATION: 1300' FNL, 1500' FEL,
Section 18, T-34-S, R-25-E

FILE NO. : MD-39179
DATE : April2, 2008
ANALYSTS : WH, SB, PK, JR

DEAN STARK EXTRACTION

SAMPLE NO.	DEPTH ft	GRAIN DENSITY	POROSITY %	PERM mD	SATURATIONS Sw	GAS So	FLUORESCENCE UNITS	LITHOLOGY
1	2602.0	2.69	11.6	1.054	90.5	0.0	0	
2	2606.0	2.66	12.4	1.031	94.1	0.0	0	
3	2609.0	2.70	11.8	tbfa	84.6	0.0	0	
4	2613.0	2.68	9.2	0.071	87.1	0.0	0	
5	2635.0	2.65	9.3	0.606	95.5	0.0	0	
6	2640.0	2.67	11.5	0.719	90.1	0.0	0	
7	2646.0	2.66	10.9	0.919	87.1	0.0	0	
8	2649.0	2.66	10.1	0.248	87.7	0.0	0	
9	2652.0	2.69	13.5	tbfa	81.9	0.0	0	
10	3783.0	2.68	17.6	6.287	90.4	0.0	0	
11	3787.0	2.68	16.7	2.093	87.4	0.0	0	
12	3793.0	2.65	14.0	8.684	85.7	0.0	0	
13	3880.0	2.66	12.9	71.355	87.4	0.0	0	
14	3890.0	2.69	12.4	19.936	87.1	0.0	0	
15	4287.0	2.68	17.0	1.475	83.4	0.0	0	
16	4289.0	2.63	15.2	3.348	90.9	0.0	0	
17	4293.0	2.64	18.6	2.897	93.8	0.0	0	
18	4295.0	2.65	18.7	3.868	89.4	0.0	0	
19	4297.0	2.66	18.7	tbfa	75.8	0.0	0	
20	4301.0	2.62	12.1	3.712	87.7	0.0	0	
21	4375.0	2.65	17.2	1.616	95.6	0.0	0	
22	4377.0	2.64	16.5	2.181	95.7	0.0	0	
23	4379.0	2.64	18.1	3.917	91.7	0.0	0	
24	4381.0	2.65	14.2	3.565	84.5	0.0	0	
25	4505.0	2.65	11.4	0.177	96.1	0.0	0	
26	4506.0	2.67	13.2	0.162	94.3	0.0	0	
27	4509.0	2.66	13.6	0.093	44.9	0.0	0	
28	4570.0	2.68	9.9	0.060	90.0	0.0	0	
29	4639.0	2.70	5.7	0.024	79.2	0.0	0	
30	4641.0	2.66	6.7	0.053	90.0	0.0	0	
31	4821.0	2.65	16.9	0.272	92.9	0.0	0	
32	4824.0	2.67	19.5	1.776	80.3	0.0	0	
33	4825.0	2.65	19.1	0.917	88.2	0.0	0	
34	4928.0	2.67	14.7	0.171	87.7	0.0	0	
35	4932.0	2.69	17.9	0.193	84.8	0.0	0	
36	5089.0	2.66	12.9	0.309	74.8	0.0	0	
37	5090.0	2.66	16.0	0.228	79.5	0.0	0	
38	5709.0	2.66	2.2	tbfa	87.7	0.0	85	
39	5711.0	2.68	2.0	<.001	76.5	0.0	99	
40	5713.0	2.68	1.8	<.001	88.9	0.0	76	
41	5715.0	2.74	7.3	<.001	30.9	0.0	198	
42	5717.0	2.71	1.8	<.001	78.9	0.0	71	
43	5719.0	2.69	3.3	0.042	66.6	0.0	150	
44	5721.0	2.78	6.6	<.001	45.9	0.0	62	
45	5723.0	2.81	4.6	0.028	59.4	0.0	75	
46	5725.0	2.75	6.4	0.004	49.2	0.0	113	
47	5727.0	2.70	3.2	0.007	57.5	0.0	97	
48	5729.0	2.70	4.5	0.210	48.2	0.0	68	
49	5731.0	2.68	4.0	0.378	56.7	0.0	163	

PROPRIETARY-CONFIDENTIAL

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JUN 06 2008

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML 47966
2. NAME OF OPERATOR: CrownQuest Operating, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: PO Box 2221 CITY Farmington STATE NM ZIP 87499		7. UNIT or CA AGREEMENT NAME:
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1300' FNL & 1500' FEL		8. WELL NAME and NUMBER: Explorer State 1-16
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 16 34S 25 02E		9. API NUMBER: 4303731870
COUNTY: San Juan		10. FIELD AND POOL, OR WILDCAT: Wildcat
STATE: UTAH		

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: 5/28/2008	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: Operations Report
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

CrownQuest Operating, LLC has performed the attached work from the time period of 05/08/2008 through 05/28/2008.

NAME (PLEASE PRINT) <u>Luke Dunn</u>	TITLE <u>Engineer</u>
SIGNATURE	DATE <u>6/5/2008</u>

(This space for State use only)

PROPRIETARY-CONFIDENTIAL

Explorer State 1-16

San Juan County, UT – API # 43-037-31870

CrownQuest Operating, LLC

May 8, 2008

Crew on location 7 AM, flow well to blow tank, well logged off @ 1 AM, made 20 bbls water, TIH, tag 7' of fill, put air on hole, well unloaded w/ 1500 psi TP, blow well from 8AM till noon, made 110 bbl water, no sand @ noon, TOH, wait on rods mud anchor, on location 5 PM, PU 2 jts as mud anchor, desander, seating nipple, 10 jts tubing, tubing anchor, TIH, will set tubing anchor in AM, secure location, SDON

May 9, 2008

Crew on location 7AM, RD floor, ND BOP, attempt to set tubing anchor, anchor released w/ 36K overpull, tried to set anchor above and below original set pt, would not set, NU BOP, TOH, TIH w/ new anchor, set @ original set pt w/ 12-14000 lbs tension, ran 176 jts 2 7/8" 6.5#, J-55 EUE tubing (5589.69') set @ 5599.69', 2 jts bull plugged below Calvin desander, 2.28" ID seating nipple @ 5515.72', RU to run rods, ran 2 1/2 X 1 1/4 X 14 X 16 X 20 RHBC bottom hold down pump, ran 6 1 1/2" sinker bars, 126 3/4" rods and 60 7/8" rods, PU polished rod and stuffing box, shut down for darkness, secure location, shut down till Monday.

May 12, 2008

Crew on location 8 AM, casing pressure-550 psi, finish running pump in hole, space out and land pump, ran 2 1/2 X 1 1/4 X 14 X 16 X 20 RHBC bottom hole down pump, 6 1 1/2" sinker bars, 126 3/4" rods, 87 7/8" rods, space out w/ 8' & 6' pony rods, ran 1 1/4" X 26' polish rod, load tubing w/ water, pressure up to 500 psi, bleed down to 0 psi in 90 seconds, pressure up several times and stroke pump, no pressure test, TOH w/ rods and pump, drop standing valve, pressure test tubing to 500 psi, held pressure, pull standing valve, TIH w/ pump and rods, load tubing w/ water, pressure to 500 psi, no bleed off, stroke pump, no pressure increase, SI casing, wait 30 minutes, stroke pump, no pressure increase, tubing pressure still 500 psi, acts as if there is no water at the intake of the pump, casing was open all day, made 200 bbl water, casing SI overnight, will stroke pump in AM, secure location, SDON

May 13, 2008

Crew on location 7 AM, casing pressure-750 psi, tubing pressure decreased from 500 to 220 psi overnight, bleed off pressure, pressure up to 600 psi, stroke pump ~ 30 times, pressure decreased to 460 psi and held, prep to LD rods and pump, TIH and LD rods and pump, release tubing anchor, well unloaded while releasing anchor, NU BOP, TOH w/ tubing, LD desander, TIH w/ tubing, ran 183 jts (5786.75') 6.5#, J-55, 8rd EUE tubing, ran sawtooth coupling on bottom, landed @ 5793.75', ran 2.28" ID seating nipple @ 5762.48', land tubing.

May 14, 2008

Crew on location 7AM, casing pressure-430 psi, tubing pressure-35 psi, ND BOP, NUWH, RD, off location @ 11AM

May 28, 2008

Road rig & equipment from Anteater 1-21X to Explorer State #1-16, MIRU, SITP=0, SICP=420#, BD casing to flow back Tank, ND tree, NU BOPE, tally 2 7/8" 6.5# J-55 tubing. TOOH, well dead whole time TOOH, 4 joints in hole well started to unload, RU line to bypass separator and straight to prod. Tank, let well blow down, open pipe rams and TIH, with all of the 2 7/8" tubing, install TIW valve and SI tubing, secure pipe rams and shut casing valves, SDFN

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JUN 09 2008

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

CONFIDENTIAL

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		LEASE DESIGNATION AND SERIAL NUMBER: ML 47966
		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
		7. UNIT or CA AGREEMENT NAME:
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		8. WELL NAME and NUMBER: Explorer State 1-16
2. NAME OF OPERATOR: CrownQuest Operating, LLC		9. API NUMBER: 4303731870
3. ADDRESS OF OPERATOR: PO Box 2221 CITY Farmington STATE NM ZIP 87499		10. FIELD AND POOL, OR WILDCAT: Wildcat
PHONE NUMBER: (505) 325-5750		

4. LOCATION OF WELL

FOOTAGES AT SURFACE: 1300' FNL & 1500' FEL

COUNTY: San Juan

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 16 34S ²⁵ 02E

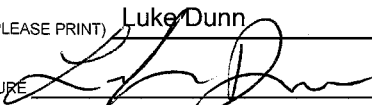
STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION	
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL	
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON	
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR	
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE	
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: 5/31/2008	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL	
	<input type="checkbox"/> CHANGE WELL STATUS	<input checked="" type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF	
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____	
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION		

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

The well above has had first production on May 31, 2008.

NAME (PLEASE PRINT) <u>Luke Dunn</u>	TITLE <u>Engineer</u>
SIGNATURE 	DATE <u>6/6/2008</u>

(This space for State use only)

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JUN 11 2008

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

AMENDED REPORT ☒
(highlight changes)

FORM 8

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. TYPE OF WELL:		OIL WELL <input type="checkbox"/>	GAS WELL <input checked="" type="checkbox"/>	DRY <input type="checkbox"/>	OTHER <input type="checkbox"/>		
b. TYPE OF WORK:		NEW WELL <input checked="" type="checkbox"/>	HORIZ. LATS. <input type="checkbox"/>	DEEP-EN <input type="checkbox"/>	RE-ENTRY <input type="checkbox"/>	DIFF. RESVR. <input type="checkbox"/>	OTHER <input type="checkbox"/>
2. NAME OF OPERATOR: CrownQuest Operating, LLC						6. IF INDIAN, ALLOTTEE OR TRIBE NAME NA	
3. ADDRESS OF OPERATOR: PO Box 2221 CITY Farmington STATE NM ZIP 87499				PHONE NUMBER: (505) 325-5750		7. UNIT OR CA AGREEMENT NAME NA	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 1300 FNL 1500 FEL AT TOP PRODUCING INTERVAL REPORTED BELOW: same AT TOTAL DEPTH: same						8. WELL NAME and NUMBER: Explorer State 1-16	
9. API NUMBER: 4303731870						10. FIELD AND POOL, OR WILDCAT Wildcat	
11. QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 16 34S 25E						12. COUNTY San Juan	
						13. STATE UTAH	

14. DATE SPUDDED: 3/6/2008	15. DATE T.D. REACHED: 3/28/2008	16. DATE COMPLETED: 5/30/2008	ABANDONED <input type="checkbox"/>	READY TO PRODUCE <input checked="" type="checkbox"/>	17. ELEVATIONS (DF, RKB, RT, GL): 6821 KB
18. TOTAL DEPTH: MD 5,907 TVD 5,907	19. PLUG BACK T.D.: MD 5,870 TVD 5,870	20. IF MULTIPLE COMPLETIONS, HOW MANY? *		21. DEPTH BRIDGE MD PLUG SET: TVD	
22. TYPE ELECTRIC AND OTHER MECHANICAL LOGS RUN (Submit copy of each) CBL, GR, SP, Cali, Al, Dphi, Nphi, FMI				23. WAS WELL CORED? NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> (Submit analysis) WAS DST RUN? NO <input checked="" type="checkbox"/> YES <input type="checkbox"/> (Submit report) DIRECTIONAL SURVEY? NO <input checked="" type="checkbox"/> YES <input type="checkbox"/> (Submit copy)	

24. CASING AND LINER RECORD (Report all strings set in well)

HOLE SIZE	SIZE/GRADE	WEIGHT (#/ft.)	TOP (MD)	BOTTOM (MD)	STAGE CEMENTER DEPTH	CEMENT TYPE & NO. OF SACKS	SLURRY VOLUME (BBL)	CEMENT TOP **	AMOUNT PULLED
17 1/2	13 3/8 H-40	48	0	145		G 250	53	Surf	
12 1/4	9 5/8 J-55	36	0	1,954		A 1,000	308		
						G 120	25	Surf	
7 7/8	5 1/2 P-11	17	0	5,907		1,200	313	2790	

25. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
2-7/8	5,794							

26. PRODUCING INTERVALS

FORMATION NAME	TOP (MD)	BOTTOM (MD)	TOP (TVD)	BOTTOM (TVD)	INTERVAL (Top/Bot - MD)	SIZE	NO. HOLES	PERFORATION STATUS
(A) Pennsylvanian	5,800	5,840	5,800	5,840	5,800 5,840	0.32	80	Open <input checked="" type="checkbox"/> Squeezed <input type="checkbox"/>
(B)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>
(C)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>
(D)								Open <input type="checkbox"/> Squeezed <input type="checkbox"/>

28. ACID, FRACTURE, TREATMENT, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND TYPE OF MATERIAL
5800-5840	1000 gal. 15%, 45,000lbs 40/70 A 82,000lbs 20/40 @ 30Q N2

29. ENCLOSED ATTACHMENTS:

- | | | | |
|---|---|---------------------------------------|---|
| <input checked="" type="checkbox"/> ELECTRICAL/MECHANICAL LOGS | <input type="checkbox"/> GEOLOGIC REPORT | <input type="checkbox"/> DST REPORT | <input type="checkbox"/> DIRECTIONAL SURVEY |
| <input type="checkbox"/> SUNDRY NOTICE FOR PLUGGING AND CEMENT VERIFICATION | <input checked="" type="checkbox"/> CORE ANALYSIS | <input type="checkbox"/> OTHER: _____ | |

30. WELL STATUS:

Producing

31. INITIAL PRODUCTION

INTERVAL A (As shown in Item #26)

DATE FIRST PRODUCED: 5/30/2008		TEST DATE: 6/1/2008		HOURS TESTED: 24		TEST PRODUCTION RATES: →		OIL – BBL: 0		GAS – MCF: 136		WATER – BBL: 33		PROD. METHOD: Flowing	
CHOKE SIZE: 1/8	TBG. PRESS. 425	CSG. PRESS. 900	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →		OIL – BBL: 0		GAS – MCF: 136		WATER – BBL: 33		INTERVAL STATUS: Producing	

INTERVAL B (As shown in Item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

INTERVAL C (As shown in Item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

INTERVAL D (As shown in Item #26)

DATE FIRST PRODUCED:		TEST DATE:		HOURS TESTED:		TEST PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	PROD. METHOD:
CHOKE SIZE:	TBG. PRESS.	CSG. PRESS.	API GRAVITY	BTU – GAS	GAS/OIL RATIO	24 HR PRODUCTION RATES: →	OIL – BBL:	GAS – MCF:	WATER – BBL:	INTERVAL STATUS:

32. DISPOSITION OF GAS (Sold, Used for Fuel, Vented, Etc.)

Sold

33. SUMMARY OF POROUS ZONES (Include Aquifers):

Show all important zones of porosity and contents thereof. Cored intervals and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures and recoveries.

34. FORMATION (Log) MARKERS:

Formation	Top (MD)	Bottom (MD)	Descriptions, Contents, etc.	Name	Top (Measured Depth)
Shinarump	2,594	2,661		Entrada	1,046
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Desert Creek	5,846	5,897			

35. ADDITIONAL REMARKS (Include plugging procedure)

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records.

NAME (PLEASE PRINT) Luke Dunn

TITLE Engineer

SIGNATURE

DATE

6/17/08

This report must be submitted within 30 days of

- completing or plugging a new well
- drilling horizontal laterals from an existing well bore
- recompleting to a different producing formation
- reentering a previously plugged and abandoned well
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Send to: Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Phone: 801-538-5340

Fax: 801-359-3940

CONFIDENTIAL

FORM 9

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

SUNDRY NOTICES AND REPORTS ON WELLS

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2. NAME OF OPERATOR: CrownQuest Operating, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: PO Box 2221 CITY Farmington STATE NM ZIP 87499		7. UNIT or CA AGREEMENT NAME:
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1300' FNL & 1500' FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 16 34S 02E		8. WELL NAME and NUMBER: Explorer State 1-16
PHONE NUMBER: (505) 325-5750		9. API NUMBER: 4303731870
COUNTY: San Juan		10. FIELD AND POOL, OR WILDCAT: Wildcat
STATE: UTAH		

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: 7/9/2008	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION	
	<input type="checkbox"/> ALTER CASING	<input checked="" type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL	
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON	
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR	
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE	
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion:	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL	
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF	
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input type="checkbox"/> OTHER: _____	
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION		

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Additional pay in the Pennsylvanian will be tested and added:

1. Set CIBP at 5770'.
2. Perf 5670-5720' - Frac w/ 150,000 lbs sand.
3. Perf 4920 -36' - Frac w/ 75,000 lbs Sand A 5qz w/ 200 5x5 CI H heat if wet.
4. Perf 4816-37' - "
5. Perf 4502-14' - "
6. Perf 4368- 92' - "
7. Return well to production in Pennsylvanian interval.

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JUL 07 2008

DIV. OF OIL, GAS & MINING

NAME (PLEASE PRINT) Rhonda Padilla	TITLE Production/ Regulatory Analyst
SIGNATURE <i>Rhonda Padilla</i>	DATE 7/2/2008

(This space for State use only)

**APPROVED BY THE STATE
OF UTAH DIVISION OF
OIL, GAS, AND MINING**

DATE: 7/15/08
BY: *[Signature]* (See Instructions on Reverse Side)

COPY SENT TO OPERATOR

Date: 7-16-2008

Initials: KS

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

PROPRIETARY-CONFIDENTIAL FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____		5. LEASE DESIGNATION AND SERIAL NUMBER: ML 47966
2. NAME OF OPERATOR: CrownQuest Operating, LLC		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
3. ADDRESS OF OPERATOR: PO Box 2221 CITY Farmington STATE NM ZIP 87499		7. UNIT or CA AGREEMENT NAME:
PHONE NUMBER: (505) 325-5750		8. WELL NAME and NUMBER: Explorer State 1-16
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1300' FNL & 1500' FEL		9. API NUMBER: 4303731870
QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: NWNE 16 34S 25 02E		10. FIELD AND POOL, OR WILDCAT: Wildcat
COUNTY: San Juan		STATE: UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input checked="" type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: 2/28/2008	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: Operations Report
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

CrownQuest Operating, LLC has performed the attached work from the time period of through July 23, 3008 to August 28, 2008.

NAME (PLEASE PRINT) Rhonda Padilla	TITLE Production/ Regulatory Analyst
SIGNATURE <i>Rhonda Padilla</i>	DATE 11/21/2008

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DEC 01 2008
DIV. OF OIL, GAS & MINING

Explorer State 1-16

San Juan County, UT – API # 43-037-31870

CrownQuest Operating, LLC

Jul 23, 2008

Road rig and equip f/ Raider 1-17 Fee to Explorer State 1-16. MIRU, SITP=30#, SICP=40#, BD to FB tank, crew ate lunch. ND tree. NU BOPE, install 2-7/8" rams, pull tbq hanger. TOO, stand back 2-7/8" tbq, 48 stands out start pulling wet pipe, 50 stands out, salt build up in tool joints. Wait to spot in float. Secure well & SDFN, crew off loc. 19:00.

Jul 24, 2008

PJSM, SITP=0, SICP=40#. BD to FB tank, TOO and LD 83 jts 2-7/8" tbq (salt build up in tool jts). PU 4-3/4" bit and 5-1/2" csg scraper, tally tbq in derrick and TIH. Crew ate lunch while waiting on tbq. Tbg arrived on loc, move out bad tbq and spot in new tbq. Tally & PU 2-7/8" tbq and rabbit on TIH, tag 16' in on jt #184 @ 5781'. TOO w/ scraper, secure well, SDFN.

Jul 25, 2008

PJSM. MU 5-1/2" CIBP and TIH, set CIBP 6' in on jt #184 @ 5770'. Circ hole w/ 4% kcl water (130 bbls), press test CIBP 1000 psi 15 min, bleed off press. PU to 4419', RU to swab, starting fluid level 300', swab well down to 4000', secure well, SDFW.

Jul 28, 2008

PJSM, SITP=0, SICP=0. TOO & LD 2 7/8" on float. ND BOPE, dump 4 sacks sand on CIBP. NU frac valve, RDMO, rel. rig to Chanticleer St. 1-32.

Aug 1, 2008

3-hr test results, beginning @ 9 pm
Beginning csg pressure: 1250#
Choke size: 8/64" Water Load Pumped: 1300 bbls
Previous Water Production: 0 bbls
24-hr Water Production: 7 bbls
Cum Water Production: 7 bbls
BWLTR: 1293
Ending csg pressure: 1350#

Aug 2, 2008

Beginning csg pressure: 1400#
Choke size: 8/64"
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped: 1300
Prev. Wtr. Total: 1293
24-hr Water: 111
Total Accumulated Water: 111
TBWLTR: 1182
Ending csg pressure: 1400#

Aug 3, 2008

Beginning csg pressure: 1400#
Choke size: 8/64"
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped: 1300
Prev. Wtr. Total: 1182

24-hr Water: 68
Total Accumulated Water: 179
TBWLTR: 1114
Ending csg pressure: 1400#

Aug 4, 2008

Beginning csg pressure: 1350#
Choke size: 8/64"
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped: 1300
Prev. Wtr. Total: 1114
24-hr Water: 38
Total Accumulated Water: 217
TBWLTR: 1076
Ending csg pressure: 1075#

Aug 5, 2008

Well flowing to flowback tank
Beginning csg pressure: 1075#
Choke size: 8/64" - changed to 12/64" @ 6 am & 1000# csg pressure
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped: 1300
Prev. Wtr. Total: 1076
24-hr Water: 92
Total Accumulated Water: 309
TBWLTR: 984
Ending csg pressure: 950#

Aug 6, 2008

Well flowing to flowback tank
Beginning csg pressure: 1075#
Choke size: 12/64"
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped: 1300
Prev. Wtr. Total: 984
24-hr Water: 117
Total Accumulated Water: 426
TBWLTR: 867
Ending csg pressure: 925#

Aug 7, 2008

Partial Day Report - through 6 am
Well flowing to flowback tank
Beginning csg pressure: 925#
Choke size: 12/64"
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped:
Prev. Wtr. Total: 867
24-hr Water: 31

Total Accumulated Water: 457
TBWLTR: 836
Ending csg pressure: 975#

Aug 8, 2008

Well flowing to flowback tank
Beginning csg pressure: 900#
Choke size: 16/64"
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped: 1300
Prev. Wtr. Total: 867
24-hr Water: 140
Total Accumulated Water: 566
TBWLTR: 727
Ending csg pressure: 875#

Aug 9, 2008

Well flowing to flowback tank
Beginning csg pressure: 900#
Choke size: 16/64"
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped: 1300
Prev. Wtr. Total: 727
24-hr Water: 201
Total Accumulated Water: 767
TBWLTR: 526
Ending csg pressure: 700#

Aug 10, 2008

Well flowing to flowback tank
Beginning csg pressure: 700#
Choke size: 20/64"
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped: 1300
Prev. Wtr. Total: 526
24-hr Water: 167
Total Accumulated Water: 934
TBWLTR: 359
Ending csg pressure: 600#

Aug 11, 2008

Well flowing to flowback tank
Beginning csg pressure: 600#
Choke size: 20/64"
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped: 1300
Prev. Wtr. Total: 359
24-hr Water: 135
Total Accumulated Water: 1069

TBWLTR: 224
Ending csg pressure: 425#

Aug 12, 2008

Well flowing to flowback tank
16-hr report, ending @ 4 pm
Beginning csg pressure: 400#
Choke size: 20/64"
Prev Oil Total: -
24-hr Oil: -
Total Oil: -
Total MCF/D: -
Water Load Pumped: 1300
Prev. Wtr. Total: 224
24-hr Water: 69
Total Accumulated Water: 1138
TBWLTR: 155
Ending csg pressure: 400#
Well SI & turned over to production.

Aug 22, 2008

B & R on loc. Tag fill @ 5506', run press. Bomb @ 4900' 15 min. Surface pressure was 622 psi & pressure at 4900 psi was 1167 psi. Pressure built 1 psi in 15 min. BD to FB tank, SI frac valve, NU BOPE on top of frac vlv, need longer hoses to RU tongs, secure well, SDFW.

Aug 25, 2008

Crew on loc. 08:00, PJSM. Csg open to sales, 100#, SI sales line. BD well to FB tank, tally and PU 2 3/8" 4.7# J-55 eue tbg and TIH w/ 4 3/4" bit to 2996', went to unload well, compressors went down, down for 1 hr, got compressors running. Unload water @ 2996' & continue to PU and TIH to 5483' (23' above where slick line tagged), PU to 4513', secure well, SDFN, crew off loc. 17:00.

Aug 26, 2008

PJSM. SITP=0, SICP=550#. BD to FB tank. TIH f/ 4513' - 5483', RU power swivel, change out stripping rubber, tag @ 5498'. Est circ w/ 12 bph mist, c/o 59' fill to 5557'. Drlg composite BP .75 hr, circ clean, bypass air. PU singles & TIH, tag @ 5720', est. circ. w/ 12 bph mist. Started seeing lots of torque, notify engineer, said that's deep enough. Circ clean, bypass air, LD 1 jt, PU above perfs, flow well to tank 1 hr, SI for 1 hr and build press. Pump will put well on sales over night. Crew off loc.

Aug 27, 2008

PJSM, TIH f/ 4513' to 5720', no additional fill. TOOH w/ 4-3/4" bit, crew ate lunch while waiting on aluminum pump out plug. TIH w/ prod. Tbg., aluminum pump out plug fell out on TIH, tbg started to unload, kill tbg, land, 2 3/8" 4.7# J-55 eue tbg as follows top down w/ KB corr: 170 jts, 1.78" SN @ 5488', 1 jt, notched collar @ 5521'. ND BOPE, NU tree, RU to swab, tbg started to unload on its own, let flow to FB tank, csg press 375#, not enough press on tbg to put to sales open back to FB tank, tbg start unloading water, let flow to tank .5 hr, SI tank, open tbg to sales line, tbg press 300#, csg press 450#, set choke, rel. crew @ 18:00.

Aug 28, 2008

PJSM, well not flowing to sales, csg press 840#, tbg press 100#, equalize tbg and csg 20 min., open tbg to well, tbg blew down, watch for 15 min, no blow, start in w/ swab, well start unloading fluid, pull out of hole, flowed light water 5 min. and died, made 3 swab runs, well flowing to tank, let flow till unload fluid, put well to sales line, tbg press 300#, csg press 840#, RD, rel rig to Chanticleer St. 1-32.

CROWNQUEST

CROWNQUEST OPERATING, LLC

November 17, 2009

Dustin Doucet
Utah Division of Oil, Gas & Mining
P.O. Box 145801
Salt Lake City, Utah 84114-5801

RE: Wildcat Status on Utah Wells

Dustin,

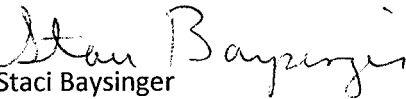
As discussed with you in our phone conversation we are requesting wildcat status on our Utah properties.

Per R649-3-35, enclosed is the information needed for final designation of wildcat status on the wells referenced below.

- Tank Canyon 1-9
- Raider Fee 1-17
- Bradford Canyon 1-10
- Anteater State 1-21X
- Explorer State 1-16
- SP Meyer #1

Please contact myself or Bob Griffiee if more information is needed. Thank you in advance for your help in this matter.

Sincerely,


Staci Baysinger
Financial Manager Northern Region
CrownQuest Operating, LLC
sbaysinger@crownquest.com

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NOV 18 2009

DIV. OF OIL, GAS & MINING

Explorer State 1-16

1.2.1 The plat map is attached. There are no wells producing from the Pennsylvanian within a one mile radius of this well. The State 1 was a 1959 dry hole and is P&A. The Boulder Knolls State 1 was completed in the Shinarump formation.

1.2.2 The attached well bore diagram shows the completed zones. All perforations are believed to contribute to the total production of the well.

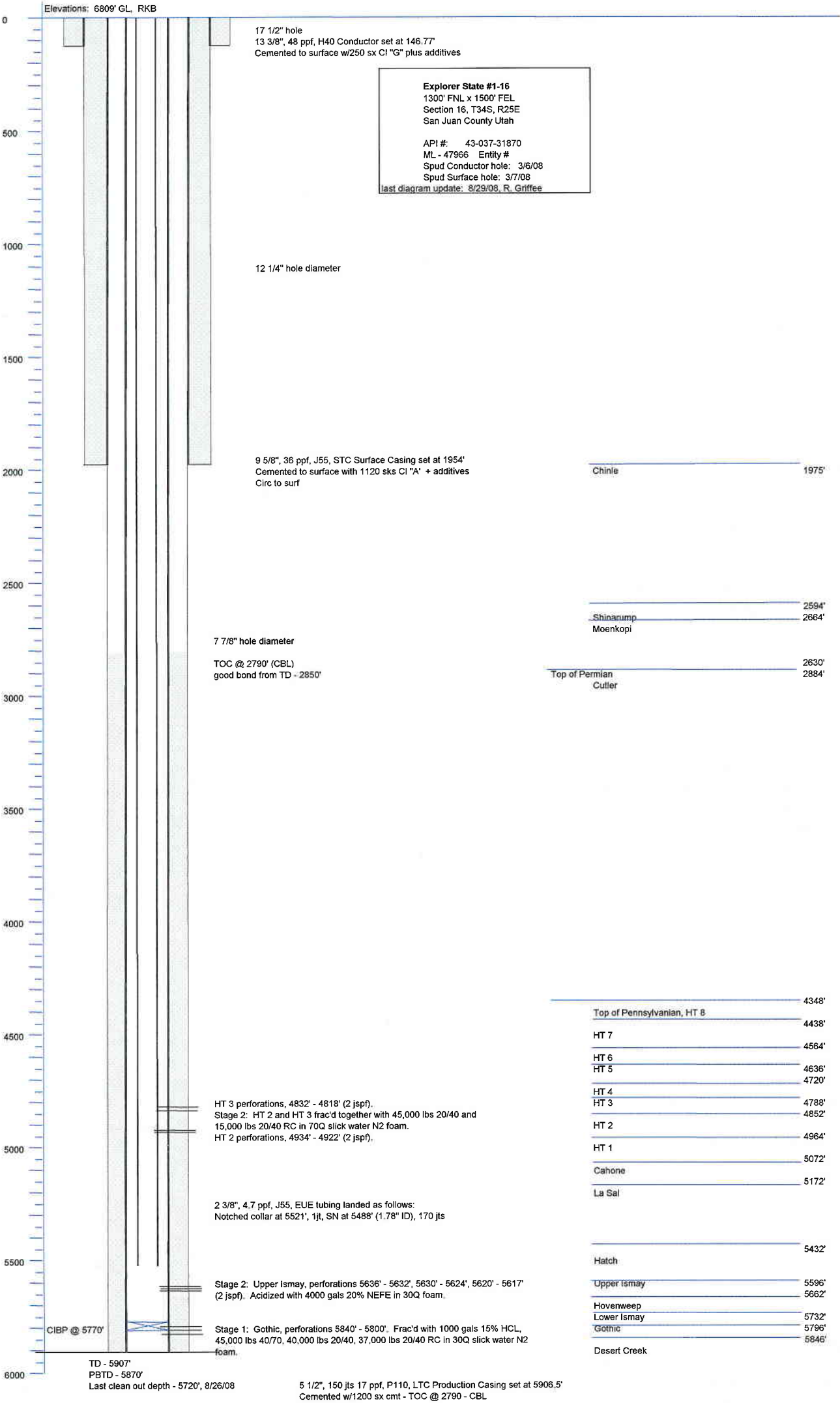
1.2.3 There are no wells in the designated area. The stratigraphic sequence is shown on the well bore diagram.

1.2.4 The specific geologic structure pertaining to this well is yet to be designated.

1.2.5 There are no producing wells in the designated area with which to compare bottom hole pressures.



A map showing a red circle with a radius line labeled "One Mile Radius".



DIVISION OF OIL, GAS AND MINING
Wildcat Well Determination
STATEMENT OF BASIS

Applicant: CrownQuest Operating, LLC

Location: NWNE Sec. 16 T34S, R25E, San Juan County, Utah

WELL NAME: Explorer State 1-16 **API #:** 43-037-31870

FINDINGS

1. The subject well was spud on March 4, 2008. Total depth was reached on March 28, 2008 and the well was first produced on May 30, 2008.
2. The subject well currently produces from the Honaker Trail and Paradox formations from 4512' to 5720'.
3. The subject well was > 1 mile from any known production in all formations at the date of first commercial production on May 30, 2008.
4. Two other wells were drilled in the area of review prior to the subject well being brought on line. See Attachment A for summary of current wells within the one (1) mile area of review.
5. The Wildcat Tax Credit application was received over 1 1/2 years after completion of the subject well. Future submittals should be filed timely (see submittal requirements in R649-3-35-1).

CONCLUSIONS

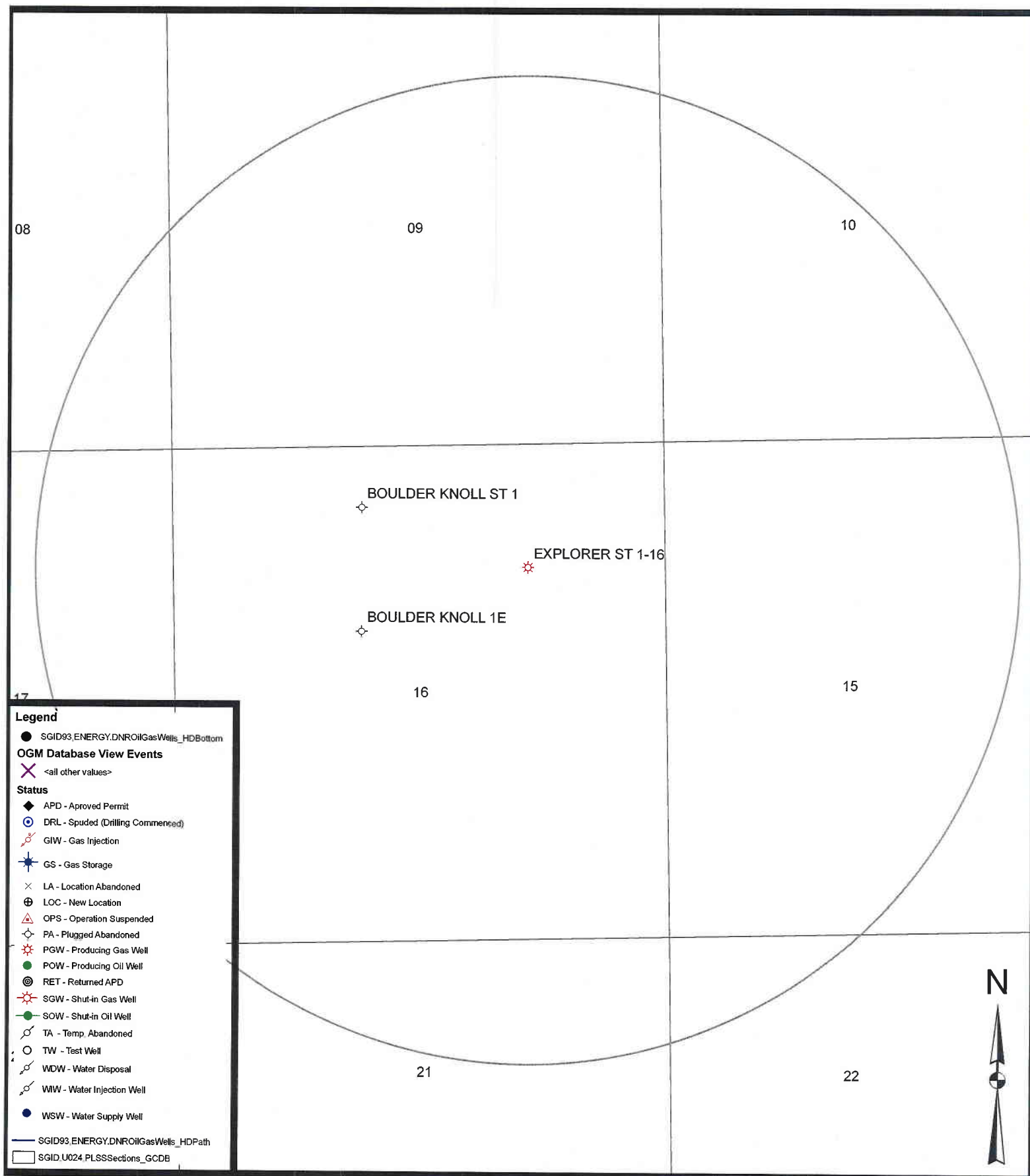
Although other wells were drilled in the area of review prior to the subject well being drilled, those wells never produced in commercial quantities. Based on the findings above the Division has determined the Explorer State 1-16 well was drilled into an unknown area for the Honaker Trail and Paradox formations. Although the request for wildcat well determination was received well after the completion of the well, no other requests for a wildcat determination have been received or approved by the Division within the area of review. Therefore, the Division finds that this well qualifies for the severance tax exemption under Section 59-5-102(2)(d) for wildcat wells. This determination was made in accordance with Oil and Gas General Conservation Rule R649-3-35 and the definition of a wildcat well in R649-1-1.

Reviewer(s): Dustin K. Doucet *DKD*

Date: 12/17/2009

Wildcat Designation Area of Review

Explorer State 1-16 Well



ATTACHMENT A

1 Mile Area of Review

API	WELL_NAME	Well Status	QTR	Sect	Town	Range	Cum Oil	Cum Gas	Field Type	Dx From Well(ft)	Rotary Spud	Date TD Reached	Date First Produced	Producing Formation
4303710956	BOULDER KNOLL ST 1	PA	NENW	16	340S	250E	0	0	W	1894	2/26/1958	8/1/1958	NA	Paradox (proposed)
4303730597	BOULDER KNOLL 1E	PA	SENW	16	340S	250E	0	0	W	1912	9/17/1980	10/11/1980	1/6/1981	Shinarump
4303731870	EXPLORER ST 1-16	P	NWNE	16	340S	250E	318	31315	W	0	3/4/2008	3/28/2008	5/30/2008	Ismay

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

5. LEASE DESIGNATION AND SERIAL NUMBER:
ML 47966

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CO-AGREEMENT NAME:

1. TYPE OF WELL

OIL WELL ☐

GAS WELL ☒

OTHER _____

8. WELL NAME and NUMBER:

Explorer State 1-16

2. NAME OF OPERATOR:

CrownQuest Operating, LLC

9. API NUMBER:

4303731870

3. ADDRESS OF OPERATOR:

P.O. Box 2221

CITY **Farmington**

STATE **NM**

ZIP **87401**

PHONE NUMBER:

(505) 325-5750

10. FIELD AND POOL, OR WILDCAT:

Wildcat

4. LOCATION OF WELL

FOOTAGES AT SURFACE: **1300' FNL x 1500' FEL**

COUNTY: **San Juan**

QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: **NWNE 16 34S 25E**

STATE:

UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: <u>wildcat designation</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

CrownQuest Operating LLC requests wildcat designation for this well.

NAME (PLEASE PRINT) **Robert R. Griffiee**

TITLE **Operations Manager**

SIGNATURE

DATE **11/30/2009**

(This space for use by the State)
APPROVED BY THE STATE OF UTAH DIVISION OF OIL, GAS, AND MINING

DATE: **12/17/09**

BY: **[Signature]** (See Instructions on Reverse Side)

* See attached Statement of Basis
CC: Tax Commission

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NOV 30 2009

DIV. OF OIL, GAS & MINING

STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL, GAS, AND MINING		FORM 9			
SUNDRY NOTICES AND REPORTS ON WELLS Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		5. LEASE DESIGNATION AND SERIAL NUMBER: ML 47966			
1. TYPE OF WELL Gas Well		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:			
2. NAME OF OPERATOR: CROWNQUEST OPERATING, LLC		7. UNIT or CA AGREEMENT NAME:			
3. ADDRESS OF OPERATOR: 303 Veterans Airpark Ln Ste 5100 , Midland, TX, 79705		8. WELL NAME and NUMBER: EXPLORER ST 1-16			
4. LOCATION OF WELL FOOTAGES AT SURFACE: 1300 FNL 1500 FEL QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: Qtr/Qtr: NWNE Section: 16 Township: 34.0S Range: 25.0E Meridian: S		9. API NUMBER: 43037318700000			
PHONE NUMBER: 432 818-0300 Ext		9. FIELD and POOL or WILDCAT: WILDCAT			
COUNTY: SAN JUAN		STATE: UTAH			
11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA					
TYPE OF SUBMISSION	TYPE OF ACTION				
<input checked="" type="checkbox"/> NOTICE OF INTENT Approximate date work will start: 11/21/2016 <input type="checkbox"/> SUBSEQUENT REPORT Date of Work Completion: <input type="checkbox"/> SPUD REPORT Date of Spud: <input type="checkbox"/> DRILLING REPORT Report Date:	<table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top;"> <input type="checkbox"/> ACIDIZE <input type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> DEEPEN <input type="checkbox"/> OPERATOR CHANGE <input type="checkbox"/> PRODUCTION START OR RESUME <input type="checkbox"/> REPERFORATE CURRENT FORMATION <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> WATER SHUTOFF <input type="checkbox"/> WILDCAT WELL DETERMINATION </td> <td style="width: 33%; vertical-align: top;"> <input type="checkbox"/> ALTER CASING <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> RECLAMATION OF WELL SITE <input type="checkbox"/> SIDETRACK TO REPAIR WELL <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> SI TA STATUS EXTENSION <input checked="" type="checkbox"/> OTHER </td> <td style="width: 33%; vertical-align: top;"> <input type="checkbox"/> CASING REPAIR <input type="checkbox"/> CHANGE WELL NAME <input type="checkbox"/> CONVERT WELL TYPE <input type="checkbox"/> NEW CONSTRUCTION <input type="checkbox"/> PLUG BACK <input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION <input type="checkbox"/> TEMPORARY ABANDON <input type="checkbox"/> WATER DISPOSAL <input type="checkbox"/> APD EXTENSION OTHER: <input style="width: 100px;" type="text"/> </td> </tr> </table>		<input type="checkbox"/> ACIDIZE <input type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> DEEPEN <input type="checkbox"/> OPERATOR CHANGE <input type="checkbox"/> PRODUCTION START OR RESUME <input type="checkbox"/> REPERFORATE CURRENT FORMATION <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> WATER SHUTOFF <input type="checkbox"/> WILDCAT WELL DETERMINATION	<input type="checkbox"/> ALTER CASING <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> RECLAMATION OF WELL SITE <input type="checkbox"/> SIDETRACK TO REPAIR WELL <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> SI TA STATUS EXTENSION <input checked="" type="checkbox"/> OTHER	<input type="checkbox"/> CASING REPAIR <input type="checkbox"/> CHANGE WELL NAME <input type="checkbox"/> CONVERT WELL TYPE <input type="checkbox"/> NEW CONSTRUCTION <input type="checkbox"/> PLUG BACK <input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION <input type="checkbox"/> TEMPORARY ABANDON <input type="checkbox"/> WATER DISPOSAL <input type="checkbox"/> APD EXTENSION OTHER: <input style="width: 100px;" type="text"/>
<input type="checkbox"/> ACIDIZE <input type="checkbox"/> CHANGE TO PREVIOUS PLANS <input type="checkbox"/> CHANGE WELL STATUS <input type="checkbox"/> DEEPEN <input type="checkbox"/> OPERATOR CHANGE <input type="checkbox"/> PRODUCTION START OR RESUME <input type="checkbox"/> REPERFORATE CURRENT FORMATION <input type="checkbox"/> TUBING REPAIR <input type="checkbox"/> WATER SHUTOFF <input type="checkbox"/> WILDCAT WELL DETERMINATION	<input type="checkbox"/> ALTER CASING <input type="checkbox"/> CHANGE TUBING <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS <input type="checkbox"/> FRACTURE TREAT <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> RECLAMATION OF WELL SITE <input type="checkbox"/> SIDETRACK TO REPAIR WELL <input type="checkbox"/> VENT OR FLARE <input type="checkbox"/> SI TA STATUS EXTENSION <input checked="" type="checkbox"/> OTHER	<input type="checkbox"/> CASING REPAIR <input type="checkbox"/> CHANGE WELL NAME <input type="checkbox"/> CONVERT WELL TYPE <input type="checkbox"/> NEW CONSTRUCTION <input type="checkbox"/> PLUG BACK <input type="checkbox"/> RECOMPLETE DIFFERENT FORMATION <input type="checkbox"/> TEMPORARY ABANDON <input type="checkbox"/> WATER DISPOSAL <input type="checkbox"/> APD EXTENSION OTHER: <input style="width: 100px;" type="text"/>			
12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc. <div style="text-align: center; padding: 20px;"> We is back on production as of November 21, 2016. </div> <div style="text-align: right; padding: 20px;"> Accepted by the Utah Division of Oil, Gas and Mining FOR RECORD ONLY December 23, 2016 </div>					
NAME (PLEASE PRINT) Jeremy Divine		PHONE NUMBER 432 557-6778			
SIGNATURE N/A		TITLE Foreman			
DATE 12/13/2016					